FOREIGN AFFAIRS

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JANUARY/FEBRUARY 2001

The Tiananmen Papers

Secret documents reveal how China's leaders decided to crush the 1989 student protests—a decision that split the leadership, forced a purge, and froze political reform.

Challenges for the Next President

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DAVID SHAMBAUGH

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FOREIGN AFFAIRS

JANUARY/FEBRUARY 2001
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The Tiananmen Papers

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For the first time ever, secret reports and other documents have surfaced that reveal the inner workings of China's Communist Party leadership during the Tiananmen Square crisis of 1989. These materials, smuggled out of Beijing by a reform-minded individual, challenge the official picture of the crisis as the legitimate suppression of violent antigovernment protests. They detail what China's leaders knew at each stage of the events, and who made the fateful decision to send in the troops. For 11 years, the truth about Tiananmen Square has remained shrouded in mystery—until now.

Challenges for the Next President

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The articles in Foreign Affairs *do not represent any consensus of beliefs. We do not expect that readers will sympathize with all the sentiments they find here, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries* Foreign Affairs *can do more to inform American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. We do not accept responsibility for the views expressed in any article, signed or unsigned, that appears in these pages. What we do accept is the responsibility for giving them a chance to appear.*

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Editor's Note

In China today, economic reform continues apace. Political liberalization, however, remains essentially frozen—as it has been since the tragic suppression of student demonstrations in the spring of 1989. The massive student protests, which filled Beijing's Tiananmen Square and other public places in cities throughout China, were meant to push the country's authoritarian rulers toward political reform. They failed.

Now, an unprecedented trove of hitherto secret documents provides an extraordinary account of the divisions among China's top leaders as they confronted the uprising. Some sought accommodation through dialogue with the students. These moderates lost out, however, to those who came to favor repression by military force. "The Tiananmen Papers"—adapted from a forthcoming book of the same title—reveals through the minutes of secret meetings and classified reports the power struggles, changing fortunes, and bloody decisions that still haunt China's political life today.

The verbatim accounts of the leaders' deliberations are neither black nor white. All the leaders started with the intention to resolve the protests peacefully, while maintaining Communist Party control and enforcing public order. Sentiment for using military force swelled as key leaders came to fear that "outsiders" who wanted to topple the regime were encouraging the demonstrations. Some readers may judge this a story of pragmatic, if authoritarian, leaders struggling unsuccessfully with tough problems. Others will render harsher verdicts. Whatever the interpretation, the Tiananmen tragedy remains compelling because its effects linger, suffocating political liberalization.

What of the credibility of the documents and of those who spirited them out of China with the hope of re-energizing political reform? Extensive efforts at authentication by three respected American scholars are detailed in the book and are summarized in the accompanying essay. This editor has conferred at length with them and with the Chinese compiler and concurs that there are "convincing grounds" to assume that the documents are credible. An absolute judgment is not possible, however, given the secretive and close nature of the Chinese regime.

To accommodate this extensive inside account, we have departed from the normal format of our Comments and Essays sections. Instead, we offer separate sections on the following themes: The Tiananmen Papers, Challenges for the New President, The Middle East & the Balkans, and Bridging the Globalization Gap. We have also deferred Reviews & Responses until the March/April issue.

NEW INITIATIVES

In December 2000, the inaugural issue of *Foreign Affairs en Español* was launched simultaneously in Mexico City, Buenos

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Aires, Santiago, and Madrid. It will be published three times a year in cooperation with the prestigious Instituto Tecnológico Autónomo de México (ITAM) and with other leading research centers throughout Latin America and Spain. Although the majority of the content will be translated from *Foreign Affairs*, each issue will also contain articles especially commissioned for the Spanish-language market by the editor, Rafael Fernández de Castro.

All of the Spanish-language content will be published simultaneously on our Web site (www.foreignaffairs.org), which has just been completely redesigned.

From now on, the full text of two articles from the current issue will be available on the site along with additional material, including interviews with our authors, links to other resources, and the full text of related articles from past issues. In addition, we will compile background briefings (again, drawing on articles from *Foreign Affairs* and other resources) on the most critical issues of the day. Our objective is to use the Web to bring additional value to our regular readers.

TRANSITIONS

Foreign Affairs also has a new managing editor. Gideon Rose succeeds Fareed Zakaria, who after eight years in the post has joined *Newsweek* as a columnist and editor of its international edition. Rose has been deputy director of national security studies and Olin senior fellow at the Council on Foreign Relations. He also has served, on a part-time basis, as senior editor of *Foreign Affairs* for the past nine months. Rose's wealth of knowledge about international issues and his solid editing experience make him a worthy successor to Zakaria, who contributed mightily to the magazine's quality, relevance, and liveliness.

Sadly, we note the death on October 16, 2000, of William Bundy, who edited *Foreign Affairs* from 1972 to 1984. Before joining the magazine as its third editor, Bundy served in the Johnson administration as assistant secretary of state for Far Eastern affairs. He also wrote an assessment of the Nixon administration's foreign policy, *A Tangled Web*, which was published in 1998.

James F. Hoge, Jr.
Editor

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The Tiananmen Papers

AP/WIDE WORLD PHOTOS

Students gather around the "Goddess of Democracy," Tiananmen Square, Beijing, May 30, 1989

The inside account of how the violent suppression of student demonstrations 11 years ago split China's leadership and froze political reform ever since.

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The Tiananmen Papers

Introduced by
Andrew J. Nathan

INSIDE CHINA'S POLITBURO

FOR THE FIRST TIME EVER, reports and minutes have surfaced that provide a revealing and potentially explosive view of decision-making at the highest levels of the government and party in the People's Republic of China (PRC). The materials paint a vivid picture of the battles between hard-liners and reformers on how to handle the student protests that swept China in the spring of 1989. The protests were ultimately ended by force, including the bloody clearing of Beijing streets by troops using live ammunition. The tragic event was one of the most important in the history of communist China, and its consequences are still being felt.

The materials were spirited out of China by a sympathizer of Communist Party members who are seeking a resumption of political reform. They believe that challenging the official picture of Tiananmen as a legitimate suppression of a violent antigovernment riot will help unfreeze the political process. The extensive and dramatic documentary picture of how China's leaders reacted to the student protests is revealed in *The Tiananmen Papers: The Chinese*

ANDREW J. NATHAN is Professor of Political Science at Columbia University and the author of numerous books, including *China's Transition*. He is co-editor with Perry Link, Professor of Chinese language and literature at Princeton University, of *The Tiananmen Papers,* from which this article is adapted, to be published this month by PublicAffairs, New York, and in a Chinese edition later this year. Documents in the book were compiled by Zhang Liang (a pseudonym). All rights reserved.

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Leadership's Decision to Use Force Against Their Own People—In Their Own Words. This article is adapted from the extensive narrative and documents in that book.

THE STUDENTS' CHALLENGE

THE 1989 DEMONSTRATIONS were begun by Beijing students to encourage continued economic reform and liberalization. The students did not set out to pose a mortal challenge to what they knew was a dangerous regime. Nor did the regime relish the use of force against the students. The two sides shared many goals and much common language. Yet, through miscommunication and misjudgment, they pushed one another into positions where options for compromise became less and less available.

The spark for the student movement was a desire to commemorate the reformer Hu Yaobang, who had died on April 15. He had been replaced two years earlier as general secretary (party leader) by another moderate, Zhao Ziyang, after student demonstrations in December 1986.

Although there was a provocative edge to the behavior of students in the spring of 1989, most of them stayed within the bounds of certain pieties, acknowledging party leadership and positioning themselves as respectful, if disappointed, supporters of the party's long-term reform project.

Once begun, however, the commemoration quickly evolved into a protest for far-reaching change. On May 4, a student declaration was read in Tiananmen Square calling on the government to accelerate political and economic reform, guarantee constitutional freedoms, fight corruption, adopt a press law, and allow the establishment of privately run newspapers. The declaration said important first steps would include institutionalizing the democratic practices that the students themselves had begun to initiate on their campuses, conducting dialogue between students and the government, promoting democratic reforms of the government system, opposing corruption, and accelerating the adoption of a press law.

Zhao struggled to achieve consensus within the leadership around a conciliatory line toward the students. Senior leader Deng Xiaoping seemed willing to consider anything, so long as

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the students were somehow cleared from the square in time for Soviet leader Mikhail Gorbachev's upcoming summit visit. But disaster struck for Zhao's moderate strategy on May 13, when the protesting students announced a hunger strike. During the next few days, the intellectuals joined in, incidents in the provinces began to erupt, and the summit that the authorities envisioned as a triumphant climax to years of diplomacy with the Soviet Union was thrown into the shadows. The huge foreign press contingent that had come to Beijing for the summit turned its main attention to the student movement.

Over the course of several weeks, the hunger strikers gained the support of tens of millions of other citizens, who took to the streets in scores of cities to demand a response from the government. The government at first tried to wait out the hunger strikers, then engaged them in limited dialogue, and finally issued orders to force them from the square. In reaching that decision, the party suffered its worst high-level split since the Cultural Revolution. Those favoring political reform lost out and their cause has been in the deep freeze ever since.

The regime has, to be sure, diminished the range of social activities it purports to control in comparison with the totalitarian ambitions of its Maoist years. It has fitted its goals of control more to its means and no longer aspires to change

THE TIANANMEN PLAYERS

DENG XIAOPING, 85: Most influential elder and chairman of the Central Military Commission (CMC). As he correctly described himself, "the core of the second generation of Chinese Communist Party leadership." Twice purged, Deng made a third return to power in 1976 after the death of Mao Zedong. He began the economic reforms that continue today. He died in 1997.

YANG SHANGKUN, 81: President of the People's Republic of China (with the right to attend Politburo Standing Committee meetings), standing vice chair of the CMC, and close comrade of Deng Xiaoping. Retired in 1993, he died in 1994.

LI PENG: Premier and member of the Politburo Standing Committee. Had

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human nature. It has learned that many arenas of freedom are inessential to the monopoly of political power.

Several noteworthy books and an important documentary film have told the story of the Tiananmen events from the viewpoint of students and citizens in Beijing. The book from which this article is adapted provides the first view from Zhongnanhai—the former imperial park at the center of Beijing that houses the Party Central Office, the State Council Office, and the residences of some top leaders. Although the leaders occupied distinct official posts in a triad of organizations—the ruling Chinese Communist Party, the State Council (government cabinet), and the Central Military Commission—behind those red walls they acted as a small and often informal community of perhaps ten decision-makers and their staffs.

The eight "elders," retired senior officials who together amounted to China's extraconstitutional final court of appeal, joined their deliberations at crucial moments. (Bo Yibo is the only one of these elders still alive, and he is no longer politically active.) Three of the elders were most influential, and among these the final voice belonged to Deng Xiaoping, who was retired from all government posts except one and lived outside Zhongnanhai in a private mansion with his own office staff. It was at this house that the most crucial meetings of these tormented months took place.

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previously served as secretary in the Central Party Secretariat and as vice premier. In 1998 he became chairman of the National People's Congress.

ZHAO ZIYANG: General Secretary of the Chinese Communist Party. He previously served as premier and as party secretary in Inner Mongolia, Guangdong, and Sichuan. After the Tiananmen confrontation, he was removed from all posts and placed under de facto house arrest.

JIANG ZEMIN: Shanghai party secretary and Politburo member. Former minister of electronic industries and mayor of Shanghai. He succeeded Zhao Ziyang as Communist Party general secretary. In 1990 he added the chairmanship of the CMC and in 1993 the presidency. Labeled by Deng Xiaoping "the core of the third generation of leadership."

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THE PAPER TRAIL

INTO ZHONGNANHAI flowed a river of documentation from the agencies charged with monitoring and controlling the capital city of Beijing and the vast nation beyond it. On a daily and hourly basis Party Central received classified reports from government, military, and party agencies and diplomatic missions abroad. The material included reports on the state of mind of students, professors, party officials, military officers and troops, workers, farmers, shop clerks, street peddlers, and others around the country. Also captured in these reports is the thinking of provincial and central leaders on policy issues; the traffic on railways; discussions in private meetings; man-in-the-street interviews; and press, academic, and political opinion from abroad.

Often such materials were distributed only to the top forty or so leaders, and many were limited even more sharply to the five-man Politburo Standing Committee plus the eight elders. (The Communist Party's Political Bureau—or Politburo—Standing Committee is the highest organ of formal political power in China, despite constitutional provisions that legally give that role to the National People's Congress.) Certain documents went to only one or a few leaders. Taken as a whole, these reports tell us in extraordinary detail what the central decision-makers saw as they looked out from their compound on the events unfolding around them, and how they evaluated the threat to their rule.

Added to these are minutes of the leaders' formal and informal meetings and accounts of some of their private conversations. In these we observe the conflict among a handful of strong-willed leaders. We learn what the ultimate decision-makers said among themselves as they discussed the unfolding events—how they debated the motives of the students, whom they identified as their main enemies; which considerations dominated their search for a solution; why they waited as long as they did and no longer before ordering the troops to move on Tiananmen Square; and what they ordered the troops to do. Perhaps most dramatic of all, we have definitive evidence of who voted how on key issues, and their reasons for those votes, in their own words.

The records reveal that if left to their own preferences the three-man majority of the Politburo Standing Committee would have voted to

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persist in dialogue with the students instead of declaring martial law. At the crucial Politburo Standing Committee meeting of May 17, two of the five members, Zhao Ziyang and Hu Qili, voted against martial law. The third-ranking member, Qiao Shi, abstained. We can see from his remarks that he was not in favor of using force. But Qiao, by abstaining, and Zhao, by offering his resignation, deferred to the elders' decision in favor of martial law.

Such seeming weakness was no doubt explained by the knowledge that resistance to Deng Xiaoping would have been futile. The Tiananmen papers reveal that the Politburo Standing Committee was obligated by a secret intra-party resolution to refer any stalemate to Deng and the elders. The documents further show that Deng exercised absolute control over the military through his associate Yang Shangkun, who was president of the PRC and standing vice chair of the Central Military Commission. Had the Standing Committee refused to honor the elders' wishes, Deng had ample means to exert his authority.

Had the Standing Committee majority had its way, China's recent history and its relations with the West would have been very different. Dialogue with the students would have tipped the balance toward political reform. Instead, China has experienced more than a decade of political stasis at home and strained relations with the West.

In 1989 Jiang Zemin was party secretary in Shanghai. He committed no heinous act at that time, although his closing of the *World Economic Herald* newspaper for being too sympathetic to the student cause is still widely resented by intellectuals. What *The Tiananmen Papers* reveals is that his accession to supreme power came about through a constitutionally irregular procedure—the vote of the elders on May 27—and that the elders chose him because he was a pliable and cautious figure who was outside the paralyzing factional fray that had created the crisis in the first place. This accession route was widely suspected, but the details have never been known before. Although Jiang is not necessarily a committed political conservative, he has paid deference to the concerns of conservatives as a way of balancing contending forces and maintaining his own power.

Today's second-ranking member of the party hierarchy, Li Peng, was premier in 1989. Not only did he advocate a hard line against the

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students and go on television to declare martial law, as is already known, but the papers show that he manipulated information to lead Deng and the other elders to see the demonstrations as an attack on them personally and on the political structure they had devoted their careers to creating. *The Tiananmen Papers* also reveals his use of the intelligence and police agencies to collect information that was used to persecute liberal officials and intellectuals after the crackdown.

Both Li Peng and Jiang Zemin are scheduled to step down from their high-level party and state offices in 2002 and 2003. Some commentators expect Jiang will try to retain his third post, that of chairman of the Central Military Commission, thus enabling him to exert influence as a party elder from behind the scenes, as Deng did in the period described in *The Tiananmen Papers.*

WHAT'S IN A NAME

THROUGHOUT the subsequent years, the issue of how to label the student movement has remained alive. Just before ordering the troops to move, the leadership made an official determination that the incident was a *fan'geming baoluan* (counterrevolutionary riot), an even more severe label than that of "turmoil," which the authorities had applied up to then, and one that implied (falsely) that the demonstrators were armed and had shed blood. Neither designation has ever been officially withdrawn. But in deference to opinion at home and abroad, informal official usage has gravitated to the softer term "political storm" (*zhengzhi fengbo,* equivalent to "political flap"), a term first introduced by Deng a few days after the crackdown.

Since 1989, there has been a constant stream of appeals for formal reconsideration of the official determination. Ding Zilin, the mother of a student who died on June 4, has led a movement to demand an accounting. In 1999, former high-ranking Zhao Ziyang aide Bao Tong circulated a letter urging the party leaders to acknowledge the mistakes made ten years earlier, calling the opportunity to reverse the verdict the current regime's "greatest political resource" for reviving its legitimacy. On a broader canvas, the party has faced constant demands for political reform. It has responded with arrests and purges of dissidents outside the party who demanded reform. But a

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sharp debate over reform has also developed within the party. In the course of this debate participants on both sides started to use a technique that had previously been rare in PRC history: that of leaking documents to the outside world—a technique of which *The Tiananmen Papers* is a spectacular extension.

The party believes it has learned from Tiananmen that democratization is not an irresistible force. There is a widespread view in the West that where globalization and modernization occur, fundamental changes in the party-state system are inevitable, leading to the rise of civil society and some form of democracy. Whether this is right or wrong, the leaders in power in China do not believe it. For them, the lesson of Tiananmen is that at its core, politics is about force.

The events of 1989 left the regime positioned for its responses to later challenges, such as the Chinese Democratic Party in 1998–99 and the Falun Gong religious movement since 1999. In both of these incidents and others, the key to the party's behavior was its fear of independent organizations, whether of religious followers or students, workers or farmers, with or without a broad social base, and with or without party members as constituents. The core political issue has remained what it was in 1989, even if the sociology has been different: the party believes that as soon as it gives in to any demand from any group that it does not control, then the power monopoly that it views as the indispensable organizational principle of the political system will be destroyed.

Many in China, however, share the view held widely overseas that this kind of political rigidity cannot persist in the face of rapid social and ideological change. Can the regime muddle through and survive, or will it implode? This is the choice the backers of this book are trying to avoid. By reopening the issues that were closed in 1989, they seem to want to open a breach in the power monopoly without causing a collapse.

Documents of the sort quoted in this article and in the book from which it is adapted are available to only a tiny handful of people in China. The compiler, who brought the contents of the documents out of China, can be publicly identified only by the pseudonym Zhang Liang. Issues of safety for the compiler and his associates do not allow for public disclosure of the extensive efforts at authentication taken by

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co-editor Perry Link and myself. China scholar Orville Schell, dean of the Graduate School of Journalism at the University of California, Berkeley, wrote the book's afterword, which explores the issue of authentication of such documents. Schell concurs that there are convincing grounds to assume that the compiler's motivations were honest and that the documents were credible despite the impossibility of making an absolute judgment about material in a closed society like China's.

Following are excerpts from some of the key documents:

THE TIANANMEN PAPERS

Deng Xiaoping and the April 26 Editorial

On April 25, Li Peng and other officials went to Deng Xiaoping's home to report on the student demonstrations in Beijing and 20 other cities. Deng's response formed the basis of an April 26 editorial that became the party's verdict on the student movement.

Excerpts from Party Central Office Secretariat, "Important meeting minutes," April 25:

Li Peng: Some of the protest posters and the slogans that students shout during the marches are anti-Party and anti-socialist. They're clamoring for a reversal of the verdicts on bourgeois liberalization and spiritual pollution [Communist Party jargon for Western cultural influences].

The spear is now pointed directly at you and the others of the elder generation of proletarian revolutionaries.

Deng Xiaoping: Saying I'm the mastermind behind the scenes, are they?

Li Peng: There are open calls for the government to step down, appeals for nonsense like "open investigations into and discussions of the question of China's governance and power," and calls to institute broader elections and revise the Constitution, to lift restrictions on political parties and newspapers, and to get rid of the category of "counterrevolutionary" crimes. Illegal student organizations have already sprung up in Beijing and Tianjin. ... The small number of leaders of these illegal organizations have other people behind them calling the shots.

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ABBAS/MAGNUM PHOTOS

The students gather: Paying tribute to Hu Yaobang, Tiananmen Square, Beijing, April 1989

In Beijing there have been two attacks on Xinhua Gate in quick succession; in Changsha and Xi'an there was looting and arson on April 22, and in Wuhan students have demonstrated on the Yangtze River Bridge, blocking the vital artery between Beijing and Guangzhou. These actions seriously harm social stability and unity, and they disrupt social order. Those of us on the Standing Committee all believe that this is turmoil and that we must rely on law to bring a halt to it as soon as possible.

Deng Xiaoping: I completely agree with the Standing Committee's decision. This is no ordinary student movement. The students have been raising a ruckus for ten days now, and we've been tolerant and restrained. But things haven't gone our way. A tiny minority is exploiting the students; they want to confuse the people and throw the country into chaos. This is a well-planned plot whose real aim is to reject the Chinese Communist Party and the socialist system at the most fundamental level. We must explain to the whole Party and nation that we are facing a most serious political struggle. We've got to be explicit and clear in opposing this turmoil.

Li Peng: ... Shouldn't we organize an editorial in the *People's Daily* right away, in order to get the word out on what Comrade Xiaoping has said?

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That afternoon the Chinese Communist Party (CCP) Central Committee General Office telegraphed the decision to Zhao Ziyang, party general secretary, who was on an ill-timed official visit to North Korea. Zhao wired back: "I completely agree with the policy decision of Comrade Xiaoping with regard to the present problem of turmoil."

Excerpt from the *People's Daily*, April 26, 1989, editorial, "The necessity for a clear stand against turmoil":

> This is a well-planned plot to confuse the people and throw the country into "turmoil." Its real aim is to reject the Chinese Communist Party and the socialist system at the most fundamental level. This is a most serious political struggle that concerns the whole Party and nation.

The editorial re-ignited the waning student movement, which mounted huge next-day demonstrations in major cities. In Beijing, 50 thousand students from many campuses marched, carrying banners, including one bearing quotations from Deng Xiaoping and Lenin favoring democracy. With irony, they sang the song "Without the Chinese Communist Party There Would Be No New China," and they elicited tears from bystanders when they shouted, "Mama, we haven't done anything wrong."

In the three days after publication the State Security Ministry and Xinhua News Agency sent 36 reports to Zhongnanhai on the reactions of various social strata. Many citizens felt that the editorial was too harsh—that it "defined the nature of the incident at too high a level of seriousness" and that it was not helpful for resolving the problem. The reports described widespread sympathy and protective feelings for the students among university presidents and other high-ranking party and administrative officials. One official revealed that on his campus, two-thirds of faculty members were refusing to attend meetings to study the editorial. Others pointed out that the blame for the demonstrations ultimately lay in the failings of the party itself, without which the students would have no need to protest.

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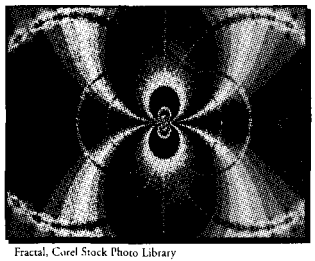

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Murray H. Siegel (Ph.D., Georgia State University, 1978) teaches mathematics at Sam Houston State University in Huntsville, Texas. He not only enjoys a national reputation as a leader in public-school mathematics education, but has spent much of his professional life introducing adults to math through community workshops, college courses and workshops, and videos. His courses in **Basic Math** and **Algebra II** are key parts of The Teaching Company's High School Curriculum.

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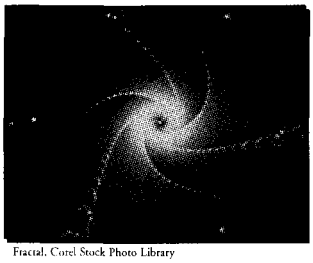

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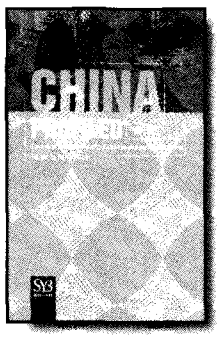

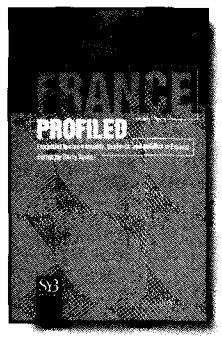

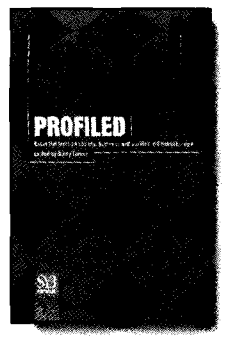

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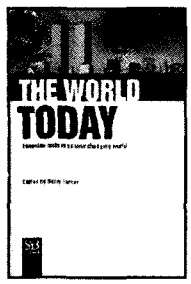

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Strains Among the Leaders

On the morning of May 13 Party General Secretary Zhao Ziyang and PRC President Yang Shangkun went to Deng Xiaoping's home and reported on their recent work. Yang was Deng Xiaoping's closest confidant and business manager within the leadership. Zhao explained the positions he had taken at several Politburo meetings.

Excerpts from memoranda of conversations supplied by a friend of Yang Shangkun who cannot be further identified:

Zhao Ziyang: ... I've noticed that this movement has two particular features we need to pay attention to: First, the student slogans all support the Constitution; they favor democracy and oppose corruption. These demands are basically in line with what the Party and government advocate, so we cannot reject them out of hand. Second, the number of demonstrators and supporters is enormous, and they include people from all parts of society. So I think we have to keep an eye on the majority and give approval to the mainstream view of the majority if we want to calm this thing down.

Deng Xiaoping: It was obvious from the start that a tiny minority was stirring up the majority, fanning the emotions of the great majority.

Zhao Ziyang: That's why I think we have to separate the broad masses of students and their supporters from the tiny minority [who are] using the movement to fish in troubled waters, stir up trouble, and attack the Party and socialism. We have to rely on guidance. We have to pursue multilevel, multichannel dialogue, get in touch with people, and build understanding. We mustn't let the conflicts get nasty if we expect things to settle down quickly.

Deng Xiaoping: Dialogue is fine, but the point is to solve the problem. We can't be led around by the nose. This movement's dragged on too long, almost a month now. The senior comrades are getting worried. ... We have to be decisive. I've said over and over that we need stability if we're going to develop. How can we progress if things are in an utter mess?

Yang Shangkun: Gorbachev will be here in two days, and today I hear that the students are going to announce a hunger

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strike. They obviously want to turn up the heat and get a lot of international attention.

DENG XIAOPING

Deng Xiaoping: Tiananmen is the symbol of the People's Republic of China. The Square has to be in order when Gorbachev comes. We have to maintain our international image. What do we look like if the Square's a mess?

Zhao Ziyang: I'll stress the importance of the Gorbachev visit one more time in the media this afternoon.

Deng Xiaoping: As I've said before, the origins of this incident are not so simple. The opposition is not just some students but a bunch of rebels and a lot of riffraff, and a tiny minority who are utterly against opposing bourgeois liberalization. ... This is not just between the students and the government.

Zhao Ziyang: The consensus in the Politburo has been to use the policies of guiding and dividing, winning over the great majority of students and intellectuals while isolating the tiny minority of anticommunist troublemakers, thereby stilling the movement through democratic and legal means.

Deng Xiaoping: What do the ordinary people in society think?

Zhao Ziyang: The protests are widespread but limited to cities that have universities. The rural areas aren't affected, and the farmers are docile. So are urban workers, basically. The workers are unhappy about certain social conditions and like to let off steam from time to time, so they sympathize with the protesters. But they go to work as usual and they aren't striking, demonstrating, or traveling around like the students.

Deng Xiaoping: ... We must not give an inch on the basic principle of upholding Communist Party rule and rejecting a Western multiparty system. At the same time, the Party must resolve the issue of democracy and address the problems that arise when corruption pops up in the Party or government.

Zhao Ziyang: ... When we allow some democracy, things might look "chaotic" on the surface; but these little "troubles" are normal inside a democratic and legal framework. They prevent major upheavals and actually make for stability and peace in the long run.

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Zhao Ziyang and Jiang Zemin Clash

On May 10, the full Politburo clashed over how to handle the student movement. Members agreed on the danger of the situation but disagreed over Zhao's line on how it should be handled. Zhao criticized Jiang Zemin for mishandling the *World Economic Herald* incident, and Jiang stoutly defended himself. (In a private conversation a day later, Yang Shangkun and Deng Xiaoping agreed that Jiang's handling of this incident struck the right balance between discipline and reform-mindedness.)

The student movement was also divided. Although some students returned to classes, others advocated continuing the strike. New leaders emerged, and various groups presented various demands. Journalists and intellectuals spoke out, new issues were added to old ones, and demonstrations burgeoned in the provinces.

Despite the now clear divisions on strategy, the Politburo at its May 10 meeting decided to make further efforts at dialogue with the students. Dialogue had been attempted a number of times in April and May. Some efforts were rebuffed, as when student leaders during the memorial service for Hu Yaobang mounted the steps of the Great Hall of the People with a seven-item petition. No officials would meet with them.

At other times, meetings between student representatives and mid-level government officials were exercises in avoidance. An April 29 meeting between government officials and 45 student representatives was marked mostly by the officials evading questions by changing the subject.

On May 13, the students announced their hunger strike.

Excerpts from State Security Ministry, "Trends in Tiananmen Square," fax to Party Central and State Council duty offices, 11:58 PM, May 14:

Today, more than one thousand students began a hunger strike in the Square. About twenty thousand students and citizens looked on during the day, and this number grew to one hundred thousand in the evening. ... The striking students were regularly supplied with drinking water, soda, sugar, and medicine. By 10 PM more than a dozen of them had fainted or

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suffered stomach cramps and were rushed to first-aid centers in ambulances provided by the Beijing Government.

The Gorbachev Visit

On May 16, while Deng Xiaoping met with Gorbachev inside the Great Hall of the People, thereby bringing about the long-sought normalization of Sino-Soviet relations, tens of thousands of people from all corners of society demonstrated outside in support of the students.

On the evening of May 16, Zhao Ziyang called on Gorbachev at the elegant state guest house called Diaoyutai. It was here that Zhao made his fateful comment to Gorbachev that even though Deng Xiaoping had retired from his party posts in 1987, the party had recognized that his wisdom and experience were essential and that for the most important questions he would still be at the helm. Zhao's observation could be interpreted as a veiled way of saying that any mishandling of the student protests was ultimately Deng's responsibility, and it became one of the counts against him when he was later dismissed from the party leadership.

The Standing Committee Meets in Emergency

On the evening of May 16 the members of the Politburo Standing Committee—Zhao Ziyang, Li Peng, Qiao Shi, Hu Qili, and Yao Yilin—held an emergency meeting. Party elders Yang Shangkun and Bo Yibo also attended. The hunger strike had evoked a strong, broad response in society, and the leaders were under pressure to find a solution.

Excerpts from Party Central Office Secretariat, "Minutes of the May 16 Politburo Standing Committee meeting":

Zhao Ziyang: ... The students' hunger strike in the square has gone on for four days now. ... We've had dialogues with their representatives and have promised we'll take them seriously and keep listening to their comments, asking only that they

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stop their fast, but it hasn't worked. The Square is so crowded—all kinds of excited people milling about with their slogans and banners—that the student representatives themselves say they have no real control of things.

Yang Shangkun: These last few days Beijing's been in something like anarchy. Students are striking at all the schools, workers from some offices are out on the streets, transportation and lots of other things are out of whack—it's what you could call anarchy. We are having a historic Sino-Soviet summit and should have had a welcoming ceremony in Tiananmen Square, but instead we had to make do at the airport. We're supposed to have had two sessions of summit talks today in the Great Hall of the People, but we had to meet at Diaoyutai instead. That's the kind of anarchy we're in.

Zhao Ziyang: ...When I got back from North Korea I learned that the April 26 editorial had elicited a strong reaction in many parts of society and had become a major issue for the students. I thought it might be best simply to skirt the most sensitive issue of whether the student movement is turmoil, hoping it would fade away while we gradually turn things around using the methods of democracy and law. But then on May 13 a few hundred students began a hunger strike, and one of their main demands was to reverse the official view of the April 26 editorial. So now there's no way to avoid the problem. We have to revise the April 26 editorial, find ways to dispel the sense of confrontation between us and the students, and get things settled down as soon as possible.

Li Peng: It's just not true, Comrade Ziyang, that the official view in the April 26 editorial was aimed at the vast majority of students. It was aimed at the tiny minority who were using the student movement to exploit the young students' emotions and to exploit some of our mistakes and problems in order to begin a political struggle against the Communist Party and the socialist system and to expand this struggle from Beijing to the whole country and create national turmoil. These are indisputable facts. Even if a lot of the student demonstrators misunderstood the April 26 editorial, still it served an important purpose in exposing these truths.

Zhao Ziyang: As I see it, the reason why so many more students have joined the demonstrations is that they couldn't accept the editorial's label for the movement. The students

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kept insisting that the party and government express a different attitude and come up with a better way of characterizing the movement. I think we have to address this problem very seriously because there's no way around it. ...

Li Peng: Comrade Ziyang, the key phrases of the April 26 editorial were drawn from Comrade Xiaoping's remarks on the 25th: "This is a well-planned plot," it is "turmoil," its "real aim is to reject the Chinese Communist Party and the socialist system," "the whole Party and nation are facing a most serious political struggle," and so on are all Comrade Xiaoping's original words. They cannot be changed.

Zhao Ziyang: We have to explain the true nature of this student movement to Comrade Xiaoping, and we need to change the official view of the movement.

Zhao Ziyang Loses Ground

On the morning of May 17 the Standing Committee of the Politburo met at Deng Xiaoping's home. Besides Zhao Ziyang, Li Peng, Qiao Shi, Hu Qili, and Yao Yilin, elders Yang Shangkun and Bo Yibo also attended.

Excerpts from Party Central Office Secretariat, "Minutes of the May 17 Politburo Standing Committee meeting," document supplied to Party Central Office Secretariat for its records by the Office of Deng Xiaoping:

Zhao Ziyang: The fasting students feel themselves under a spotlight that makes it hard for them to make concessions. This leaves us with a prickly situation. The most important thing right now is to get the students to de-link their fasting from their demands and then to get them out of the Square and back to their campuses. Otherwise, anything could happen, and in the blink of an eye. Things are tense.

Yang Shangkun: ... Can we still say there's been no harm to the national interest or society's interest? This isn't turmoil? If anybody here takes the position that this isn't turmoil, I don't see any way to move ahead with reform and opening or to pursue socialist construction. ...

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Li Peng: I think Comrade Ziyang must bear the main responsibility for the escalation of the student movement, as well as for the fact that the situation has gotten so hard to control. When he was in North Korea and the Politburo asked Comrade Ziyang's opinion, he sent back a telegram clearly stating that he was "in complete agreement with Comrade Xiaoping's plan for dealing with the unrest."

After he came back on April 30 he again said at a Politburo meeting that he endorsed Comrade Xiaoping's remarks as well as the word "turmoil" that appeared in the April 26 editorial.

But then, just a few days later, on the afternoon of May 4 at the Asian Development Bank meetings—and without consulting anybody else on the Standing Committee—he gave a speech that flew in the face of the Standing Committee's decisions, Comrade Xiaoping's statement, and the spirit of the April 26 editorial.

First, in the midst of obvious turmoil, he felt able to say, "China will be spared any major turmoil."

Second, in the presence of a mountain of evidence that the aim of the turmoil was to end Communist Party rule and bring down the socialist system, he continued to insist the protesters "do not oppose our underlying system but demand that we eliminate the flaws in our work."

Third, even after many facts had clearly established that a tiny minority was exploiting the student movement to cause turmoil, he said only that there are "always going to be people ready to exploit" the situation. This explicitly contradicts Party Central's correct judgment that a tiny minority was already manufacturing turmoil. ...

Yao Yilin: ... I don't understand why Comrade Ziyang mentioned Comrade Xiaoping in his talk with Gorbachev yesterday. Given the way things are right now, this can only have been intended as a way to saddle Comrade Xiaoping with all the responsibility and to get the students to target Comrade Xiaoping for attack. This made the whole mess a lot worse.

Zhao Ziyang: Could I have a chance to explain these two things? The basic purposes of my remarks at the annual meeting of the directors of the [Asian Development Bank] were to pacify the student movement and to strengthen foreign investors' confidence in China's stability. The first reactions I heard to my speech were all positive, and I wasn't aware of any problems at the time. Comrades Shangkun, Qiao Shi, and Qili

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all thought the reaction to the speech was good; Comrade Li Peng said it was a good job and that he would echo it when he met with the ADB representatives. ...

Now, about my comments to Gorbachev yesterday: Ever since the Thirteenth Party Congress, whenever I meet with Communist Party leaders from other countries I make it clear that the First Plenum of our Thirteenth Central Committee decided that Comrade Xiaoping's role as our Party's primary decision-maker would not change. I do this in order to make sure the world has a clearer understanding that Comrade Xiaoping's continuing power within our Party is legal in spite of his retirement. ...

Deng Xiaoping: Comrade Ziyang, that talk of yours on May 4 to the ADB was a turning point. Since then the student movement has gotten steadily worse. Of course we want to build socialist democracy, but we can't possibly do it in a hurry, and still less do we want that Western-style stuff. If our one billion people jumped into multiparty elections, we'd get chaos like the "all-out civil war" we saw during the Cultural Revolution. ...

I know there are some disputes among you, but the question before us isn't how to settle all our different views; it's whether we now should back off or not. ...To back down would be to give in to their values; not backing down means we stick steadfastly to the April 26 editorial.

The elder comrades—Chen Yun, [Li] Xiannian, Peng Zhen, and of course me, too—are all burning with anxiety at what we see in Beijing these days. Beijing can't keep going like this. We first have to settle the instability in Beijing, because if we don't we'll never be able to settle it in the other provinces, regions, and cities.

Lying down on railroad tracks; beating, smashing, and robbing; if these aren't turmoil then what are they? If things continue like this, we could even end up under house arrest.

After thinking long and hard about this, I've concluded that we should bring in the People's Liberation Army [PLA] and declare martial law in Beijing—more precisely, in Beijing's urban districts. The aim of martial law will be to suppress the turmoil once and for all and to return things quickly to normal. This is the unshirkable duty of the Party and the government. I am solemnly proposing this today to the Standing Committee of the Politburo and hope that you will consider it.

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Zhao Ziyang: It's always better to have a decision than not to have one. But Comrade Xiaoping, it will be hard for me to carry out this plan. I have difficulties with it.

Deng Xiaoping: The minority yields to the majority!

Zhao Ziyang: I will submit to Party discipline; the minority does yield to the majority.

Standing Committee Stalemates

At 8 PM the meeting of the Politburo Standing Committee resumed at Zhongnanhai. Committee members Zhao Ziyang, Li Peng, Qiao Shi, Hu Qili, and Yao Yilin attended. Yang Shangkun and Bo Yibo participated in their role as party elders.

Excerpts from Party Central Office Secretariat, "Minutes of the May 17 Politburo Standing Committee meeting":

Zhao Ziyang: The question for this evening's meeting is martial law. First we need to consider whether the situation has reached a point where martial law is our only option. Will martial law help solve the problem or only enlarge it? Is it in fact necessary to impose martial law? I hope we can discuss these questions calmly.

Li Peng: The decision on martial law, Comrade Ziyang, was made by Comrade Xiaoping at this morning's meeting. I support Comrade Xiaoping's views on martial law. I believe that the topic for the present meeting is not whether martial law should or should not be imposed but, rather, what steps to use in carrying it out.

Yao Yilin: I strongly support Comrade Xiaoping's proposal to impose martial law in Beijing's urban districts. Taking this powerful measure will help restore the city to normalcy, end the state of anarchy, and quickly and effectively stop the turmoil.

Zhao Ziyang: I'm against imposing martial law in Beijing. My reason is that, given the extreme feelings of the students at this juncture, to impose martial law will not help calm things down or solve problems. It will only make things more complicated and more sharply confrontational. And after all, things are still under

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ZHAO ZIYANG

our control. Even among the demonstrators the vast majority is patriotic and supports the Communist Party. Martial law could give us total control of the situation, yes; but think of the terror it will strike in the minds of Beijing's citizens and students. Where will that lead?

In the forty years of the People's Republic, our Party has learned many lessons from its political and economic mistakes. Given the crisis we now face at home and abroad, I think that one more big political mistake might well cost us all our remaining legitimacy. So I see martial law as extremely dangerous. The Chinese people cannot take any more huge policy blunders.

Qiao Shi: I've wanted to express my view all along. We can't afford any more concessions to the student movement, but on the other hand we still haven't found a suitable means for resolving the situation. So on the question of martial law, I find it hard to express either support or opposition.

Bo Yibo: This is a Standing Committee meeting in which Comrade Shangkun and I are only observers. We don't have voting rights, but we both support Comrade Xiaoping's proposal to impose martial law. Just now everyone on the committee had a chance to express his opinion. I think we should make the opinions even clearer by taking a vote. ...

Following Bo Yibo's suggestion, the five members of the Standing Committee took a formal vote. Li Peng and Yao Yilin voted for martial law; Zhao Ziyang and Hu Qili voted against it; Qiao Shi abstained.

Yang Shangkun: The Party permits differing opinions. We can refer this evening's vote to Comrade Xiaoping and the other Party Elders and get a resolution as soon as possible.

The Elders Decide on Martial Law

On the morning of May 18, the eight elders—Deng Xiaoping, Chen Yun, Li Xiannian, Peng Zhen, Deng Yingchao, Yang Shangkun, Bo

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Yibo, and Wang Zhen—met with Politburo Standing Committee members Li Peng, Qiao Shi, Hu Qili, and Yao Yilin and with Military Affairs Commission members General Hong Xuezhi, Liu Huaqing, and General Qin Jiwei and formally agreed to declare martial law in Beijing. General Secretary Zhao Ziyang did not attend the meeting.

Li Peng opened by describing the split that had emerged within the Standing Committee on the evening of the 17th over the question of martial law. Bo Yibo provided additional detail. Then the elders began explaining why martial law was necessary.

Excerpts from Party Central Office Secretariat, "Minutes of an important meeting on May 18," document supplied to Party Central Office Secretariat for its records by the Office of Deng Xiaoping:

Deng Xiaoping: We old comrades are meeting with you today because we feel we have no choice. The Standing Committee should have come up with a plan long ago, but things kept dragging on, and even today there's no decision. Beijing has been chaotic for more than a month now, and we've been extremely restrained through the whole thing, and extremely tolerant. What other country in the world would watch more than a month of marches and demonstrations in its capital and do nothing about it?. ...

Li Xiannian: I feel like the rest of you, and I think it's too bad that an accurate assessment of what's going on here has to depend on us old comrades. We have no choice but to show concern when things get as chaotic as they are now. General Secretary Zhao Ziyang has an undeniable responsibility here. What's the difference between what we're seeing all across the country and the Cultural Revolution? It's not just Beijing; all the cities are in chaos. ...

Deng Xiaoping: The April 26 editorial defined the nature of the problem as turmoil. Some people object to the word, but it hits the nail on the head. The evidence shows that the judgment is correct.

Li Peng: ... The reason Comrade Zhao Ziyang has not come today is that he opposes martial law. He encouraged the students

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right from the beginning. When he got back from North Korea, he came out with his May 4 speech at the Asian Development Bank without clearing it with anyone else on the Standing Committee.

The speech's ... tone was completely different from the April 26 editorial's, but it got wide distribution and had a big propaganda impact. From then on we felt it was obvious that Comrade Zhao Ziyang's opinions were different from Comrade Xiaoping's and those of the majority of comrades on the Standing Committee. Anyone with political experience could see this, and certainly the ones causing the turmoil could also see it. ...

Yang Shangkun: ... The problem we now face is that the two different voices within the party have been completely exposed; the students feel that someone at the Center supports them, so they've gotten more and more extreme. Their goals are to get the April 26 editorial repudiated and get official recognition for their autonomous federations [as opposed to the student organizations organized and controlled by the government].

The situation in Beijing and the rest of the country keeps getting grimmer. So we have to guarantee the stability of the whole country, and that means starting with Beijing. I resolutely support declaration of martial law in Beijing and resolutely support its implementation.

Wang Zhen: ... These people are really asking for it! They should be nabbed as soon as they pop out again. Give 'em no mercy! The students are nuts if they think this handful of people can overthrow our Party and our government! These kids don't know how good they've got it! ... If the students don't leave Tiananmen on their own, the PLA should go in and carry them out. This is ridiculous!

Bo Yibo: The whole imperialist Western world wants to make socialist countries leave the socialist road and become satellites in the system of international monopoly capitalism. The people with ulterior motives who are behind this student movement have support from the United States and Europe and from the KMT [Kuomintang] reactionaries in Taiwan. There is a lot of evidence that the U.S. Congress and other Western parliaments have been saying all kinds of things about this student movement and have even held hearings. ... Members

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of the overseas Chinese Alliance for Democracy, which we have declared to be an illegal and reactionary organization, not only voice support for the student movement but openly admit that they advise the students and even plan how to reenter China and meddle directly. ... So you see, it was no accident that the student movement turned into turmoil.

Hong Xuezhi: For a soldier, duty is paramount. I will resolutely carry out the order to put Beijing under martial law.

Qin Jiwei: ... I resolutely support and will resolutely carry out the orders of Party Central and the Military Affairs Commission for martial law in Beijing.

Li Peng Meets with Student Leaders

Also on May 18, Li Peng and other government officials met at the Great Hall of the People with Wang Dan, Wuerkaixi, and other student representatives. Li said that no one had ever claimed the majority of students had been engaged in turmoil, but that too often people with no intention of creating turmoil had in fact brought it about.

He stood firm on the wording of the April 26 editorial and said the current moment was not an appropriate time to discuss the students' two demands. Wang Dan had said that the only way to get the students out of Tiananmen Square was to reclassify the student movement as patriotic and put the student-leader dialogue on live television.

Zhao Ziyang's Sorrowful Speech

At 4 AM on May 19, following the close of the Politburo Standing Committee meeting, Zhao Ziyang and Li Peng visited Tiananmen Square, accompanied respectively by Director of the Party Central Office Wen Jiabao and Secretary-General of the State Council Luo Gan. Knowing his political career was near an end, Zhao made remarks that brought tears to the eyes of those who heard him. "We have come too late," he said, and he begged the students to protect their health, to end the hunger strike, and to leave the Square before it was too late.

"We demonstrated and lay across railroad tracks when we were young, too, and took no thought for the future," he told the students.

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"But I have to ask you to think carefully about the future. Many issues will be resolved eventually. I beg you to end the hunger strike."

Zhao was exhausted, and his doctor urged him to rest. On the morning of May 19 he requested three days' sick leave.

Provincial Students Converge on Beijing

Many students had come from universities outside Beijing to camp. On the eve of martial law, the Railway Ministry reported to Zhongnanhai that a total of 56,888 students had entered the city on 165 trains between 6 PM on May 16 and 8 PM on May 19. The flood of students had stressed the already overstretched system. Most of the students had demanded to ride without tickets, took over the trains' public-address systems, asked passengers for contributions, hung posters in and on the cars, and even demanded free food.

Of some 50,000 students in Tiananmen Square on May 22, most were from outside Beijing, and many of the Beijing students had returned to their campuses or gone home. Official records showed that at least 319 different schools were represented in the square.

Backlash to Martial Law

When martial law was declared, it applied to only five urban districts of Beijing. But it elicited fierce opposition throughout the capital, nationwide, and internationally. Troops from 22 divisions moved toward the city, but many were stopped in the suburbs or blocked in city streets and failed to reach their destinations. In the first of what would be many similar instructions, on May 20 Yang Shangkun ordered that the soldiers should never turn their weapons on innocent civilians, even if provoked.

Provincial authorities voiced the requisite support for Beijing while taking actions locally to try to assure that nothing spectacular happened in their own bailiwicks. On May 21, student leaders in the square voted to declare victory and withdraw but reversed their decision under pressure of widespread sentiment among new recruits in the square to continue the strike.

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The Elders Discuss a Successor

The same day, Deng Xiaoping again convened the party elders, since the younger generation of leaders seemed unable to manage.

Excerpts from Party Central Office Secretariat, "Minutes of important meeting, May 21, 1989," document supplied to Party Central Office Secretariat for its records by the Office of Deng Xiaoping:

Deng Xiaoping: We can all see what's happened. Martial law hasn't restored order. This isn't because we can't do it; it's because problems inside the Party drag on and keep us from solving things that should've been solved long ago. ... Zhao Ziyang's intransigence has been obvious, and he bears undeniable responsibility. He wouldn't even attend the party-government-army meeting that the Standing Committee of the Politburo convened.

When others saw that the Party general secretary didn't show up, they all knew something was wrong. He exposed the differences within the Standing Committee for all to see. He wanted to draw a strict line between himself and us in order to make his stand clear. So we've got to talk about the Zhao Ziyang problem.

Li Xiannian: I've said all along that the problem's inside the party. The party now has two headquarters. Zhao Ziyang's got his own separate headquarters. We have to get to the bottom of this, have to dig out the roots. Otherwise there can never again be unity of thought inside the Party. ... When he opposed martial law he had his own political agenda, which was to force us senior people to hand over power and step down, so that he could go ahead with his program of bourgeois liberalization. With us senior people in the way, his hands were tied and he was stuck. Zhao Ziyang is no longer fit to be general secretary.

Wang Zhen: Zhao Ziyang's never paid a whit of attention to people like us. ... What he really wants is to drive us old people from power. We didn't mistreat him; he's the one who's picked the fight. When he falls it'll be his own fault. ...

Yang Shangkun: ... We should look at the big picture and make solidarity our top priority. This isn't the right moment

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for replacing a general secretary. Instead we could ask Zhao Ziyang for a self-criticism and avoid making big changes on the Politburo Standing Committee. ...

Deng Xiaoping: ... In the recent turmoil Zhao Ziyang has exposed his position completely. He obviously stands on the side of the turmoil, and in practical terms he has been fomenting division, splitting the Party, and defending turmoil. It's lucky we're still here to keep a lid on things. Zhao Ziyang stimulated turmoil, and there's no reason to keep him. Hu Qili is no longer fit for the Standing Committee, either.

Chen Yun: ... Comrade Xiannian has pointed out to me that Comrade Jiang Zemin from Shanghai is a suitable candidate. Every time I've gone down to Shanghai he always sees me, and he strikes me as a modest person with strong party discipline and broad knowledge. He gets along well in Shanghai, too.

Li Xiannian: ... I noticed, after the April 26 editorial, that again it was Shanghai that took the lead in pushing the spirit of Party Central. Jiang Zemin called a meeting of more than ten thousand officials the very next day, and he yanked the *World Economic Herald* into shape. That was something! That move—given what was going on—put him under tremendous public pressure, but he stood firm, didn't budge, and stuck to principle.

Then, when the Party, government, and army at the Center declared martial law, again it was Shanghai that took the lead in action. This kind of firm attitude's hard to come by. In political action and party loyalty, Jiang Zemin has been a constant. And of course, he's got a good knack for economic work. Shanghai's built a good economic foundation these last few years. ... I like the idea of him as general secretary.

JIANG ZEMIN

The Selection of Jiang Zemin

On the night of May 27, Deng Xiaoping and the other seven elders met for about

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five hours at Deng's residence to finalize a successor to Zhao Ziyang as Communist Party general secretary.

Excerpts from Party Central Office Secretariat, "Minutes of important meeting, May 27, 1989," document supplied to Party Central Office Secretariat for its records by the Office of Deng Xiaoping:

Deng Xiaoping: I've checked with Comrades Chen Yun and Xiannian, and they completely agree with my view that the new leadership team must continue to carry out the political line, principles, and policies of the Third Plenum of the Eleventh Central Committee. Even the language should stay the same. The political report of the Thirteenth Party Congress was approved by all representatives at the time. Not a single word of it can be changed. The policies of reform and opening must not change, for several decades; we've got to press them through to the end. This should be what we expect and require from the new generation of [Party] Central leadership.

Unless someone objects, I move that the new Standing Committee of the Politburo be made up of the following six comrades: Jiang Zemin, Li Peng, Qiao Shi, Yao Yilin, Song Ping, and Li Ruihuan, with Comrade Jiang Zemin as general secretary.

The motion to appoint Jiang as general secretary and to add Li and Song to the Standing Committee had been approved by the elders by a show of hands. But this violated the Chinese Communist Party Constitution, which stipulates that the Politburo Standing Committee should make such decisions.

The Elders Decide to Clear Tiananmen Square

On the morning of June 2, party elders Deng Xiaoping, Li Xiannian, Peng Zhen, Yang Shangkun, Bo Yibo, and Wang Zhen met with the Standing Committee of the Politburo, which at that juncture consisted only of Li Peng, Qiao Shi, and Yao Yilin.

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Excerpts from Party Central Office Secretariat, "Minutes of important meeting, June 2, 1989," document supplied to Party Central Office Secretariat for its records by the Office of Deng Xiaoping:

Li Peng: Yesterday the Beijing Party Committee and the State Security Ministry both submitted reports to the Politburo. These two reports give ample evidence that following the declaration of martial law a major scheme of the organizers and plotters of the turmoil has been to occupy Tiananmen Square to serve as a command center for a final showdown with the Party and government. The square has become "a center of the student movement and eventually the entire nation."

Whatever decisions the government makes, strong reactions will emerge from the Square. It has been determined that, following the declaration of martial law, events such as putting together a dare-to-die corps to block the martial law troops, gathering thugs to storm the Beijing Public Security Bureau, holding press conferences, and recruiting the Flying Tiger Group to pass messages around were all plotted in and commanded from the Square. ...

The reactionary elements have also continued to use the Square as a center for hatching counterrevolutionary opinion and manufacturing rumor. Illegal organizations such as the AFS [Autonomous Federation of Students] and AFW [Autonomous Federation of Workers] have installed loudspeakers on the Square and broadcast almost around the clock, attacking party and state leaders, inciting overthrow of the government, and repeating over and over distorted reports from [the Voice of America] and the Hong Kong and Taiwan press.

The reactionary elements believe the government will eventually crack down if they refuse to withdraw from the square. Their plot is to provoke conflict and create bloodshed incidents, clamoring that "blood will awaken the people and cause the government to split and collapse." A few days ago these reactionary elements openly erected a so-called goddess statue in front of the Monument to the People's Heroes. Today they are planning to launch another hunger strike in the Square.

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... When the turmoil began employees of the U.S. embassy started to collect intelligence aggressively. Some of them are CIA agents. Almost every day, and especially at night, they would go and loiter at Tiananmen or at schools such as Peking University and Beijing Normal. They have frequent contact with leaders of the AFS and give them advice. The Chinese Alliance for Democracy, which has directly meddled in this turmoil, is a tool the United States uses against China. This scum of our nation, based in New York, has collaborated with the pro-KMT Chinese Benevolent Association to set up a so-called Committee to Support the Chinese Democracy Movement. They also gave money to leaders of the AFS.

As soon as the turmoil started, KMT intelligence agencies in Taiwan and other hostile forces outside China rushed to send in agents disguised as visitors, tourists, businessmen, and so on. They have tried to intervene directly to expand the so-called democracy movement into an all-out "movement against communism and tyranny." They have also instructed underground agents to keep close track of things and to collect all kinds of information. There is evidence that KMT agents from Taiwan have participated in the turmoil in Beijing, Shanghai, Fujian, and elsewhere. ... It is becoming increasingly clear that the turmoil has been generated by a coalition of foreign and domestic reactionary forces and that their goals are to overthrow the Communist Party and to subvert the socialist system.

Wang Zhen: Those goddamn bastards! Who do they think they are, trampling on sacred ground like Tiananmen so long?! They're really asking for it! We should send the troops right now to grab those counterrevolutionaries, Comrade Xiaoping! What's the People's Liberation Army for, anyway? What are martial law troops for? They're not supposed to just sit around and eat! They're supposed to grab counterrevolutionaries! We've got to do it or we'll never forgive ourselves! We've got to do it or the common people will rebel! Anybody who tries to overthrow the Communist Party deserves death and no burial!

Li Xiannian: The account that Comrade Li Peng just gave us shows quite clearly that Western capitalism really does want to see turmoil in China. And not only that; they'd also like to see turmoil in the Soviet Union and all the socialist countries of Eastern Europe. The United States, England, France, Japan, and some other Western countries are leaving no stone

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unturned in pushing peaceful evolution in the socialist countries. They've got a new saying about "fighting a smokeless world war." We had better watch out. Capitalism still wants to beat socialism in the end.

Deng Xiaoping: Comrade Xiannian is correct. The causes of this incident have to do with the global context. The Western world, especially the United States, has thrown its entire propaganda machine into agitation work and has given a lot of encouragement and assistance to the so-called democrats or opposition in China—people who in fact are the scum of the Chinese nation. This is the root of the chaotic situation we face today. ... Some Western countries use things like "human rights," or like saying the socialist system is irrational or illegal, to criticize us, but what they're really after is our sovereignty. Those Western countries that play power politics have no right at all to talk about human rights!

Look how many people around the world they've robbed of human rights! And look how many Chinese people they've hurt the human rights of since they invaded China during the Opium war! ...

Two conditions are indispensable for our developmental goals: a stable environment at home and a peaceful environment abroad. We don't care what others say about us. The only thing we really care about is a good environment for developing ourselves. So long as history eventually proves the superiority of the Chinese socialist system, that's enough. We can't bother about the social systems of other countries. Imagine for a moment what could happen if China falls into turmoil. If it happens now, it'd be far worse than the Cultural Revolution. ... Once civil war got started, blood would flow like a river, and where would human rights be then? In a civil war, each power would dominate a locality, production would fall, communications would be cut off, and refugees would flow out of China not in millions or tens of millions but in hundreds of millions.

First hit by this flood of refugees would be Pacific Asia, which is currently the most promising region of the world. This would be disaster on a global scale. So China mustn't make a mess of itself. And this is not just to be responsible to ourselves, but to consider the whole world and all of humanity as well. ...

Li Xiannian: ... Tiananmen Square is now that root of our turmoil-disease. Just look at that thing—like neither human

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nor demon—that they've erected there in our beautiful Square! Are the people going to accept that? Absolutely not! We're never going to get a voluntary withdrawal from the Square. Tiananmen has been polluted for more than a month now, ravaged into a shadow of itself! We can't breathe free until the Square is returned to the hands of the people. We have to pull up the root of the disease immediately. I say we start tonight.

Yang Shangkun: The fact that we're going to clear the square, restore order, and stop the turmoil in no way means that we're giving up on reform or closing our country off from the world.

Deng Xiaoping: No one can keep China's reform and opening from going forward. Why is that? It's simple: Without reform and opening our development stops and our economy slides downhill. Living standards decline if we turn back. The momentum of reform cannot be stopped. We must insist on this point at all times.

Some people say we allow only economic reform and not political reform, but that's not true. We do allow political reform, but on one condition: that the Four Basic Principles are upheld. [The Four Basic Principles are Marxism-Leninism–Mao Zedong thought, socialism, the people's democratic dictatorship, and leadership by the Chinese Communist Party.] ...

We can't handle chaos while we're busy with construction. If today we have a big demonstration and tomorrow a great airing of views and a bunch of wall posters, we won't have any energy left to get anything done. That's why we have to insist on clearing the Square.

Yang Shangkun: Troops have moved into the Great Hall of the People, Zhongshan Park, the People's Cultural Palace, and the Public Security Ministry compound. The thinking of all officers and soldiers has been thoroughly prepared for a clearing of Tiananmen Square. After nearly half a month of political thought work, all officers and soldiers have deepened their understanding of the severity and complexity of this struggle and have comprehended the necessity and the legality of martial law.

Li Peng: I strongly urge that we move immediately to clear Tiananmen Square and that we resolutely put an end to the turmoil and the ever expanding trouble.

Qiao Shi: The facts show that we can't expect the students on the Square to withdraw voluntarily. Clearing the square is our only option, and it's quite necessary. I hope our announcement

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LI PENG

about clearing will meet with approval and support from the majority of citizens and students. Clearing the Square is the beginning of a restoration of normal order in the capital.

Deng Xiaoping: I agree with all of you and suggest the martial law troops begin tonight to carry out the clearing plan and finish it within two days. As we proceed with the clearing, we must explain it clearly to all the citizens and students, asking them to leave and doing our very best to persuade them. But if they refuse to leave, they will be responsible for the consequences. ...

The Order to Clear the Square

At 4 PM on June 3, Yang Shangkun, Li Peng, Qiao Shi, and Yao Yilin held an emergency meeting with responsible military officials.

Excerpts from Party Central Office Secretariat, "Minutes of the June 3 Politburo Standing Committee meeting":

Yang Shangkun: I really did not want to call this meeting. The situation has become extremely volatile—beyond what anybody's goodwill can handle. We have to settle on some resolute measures for clearing the square. Let's begin with you, Comrade Li Peng.

Li Peng: Late last night a counterrevolutionary riot broke out in Beijing. A small handful of counterrevolutionaries began spreading rumors and openly violating martial law. They were brazen and lawless, and their behavior has aroused extreme indignation among the masses. We must resolutely adopt decisive measures to put down this counterrevolutionary riot tonight. ... The PLA martial law troops, the People's Armed Police, and Public Security are authorized to use any

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means necessary to deal with people who interfere with the mission. Whatever happens will be the responsibility of those who do not heed warnings and persist in testing the limits of the law.

Yang Shangkun: You all get the picture now. I've also just been in touch with Comrade Xiaoping, and he has asked me to relay two points to everyone. The first is: Solve the problem before dawn tomorrow. He means our martial law troops should completely finish their task of clearing the Square before sunup. The second is: Be reasonable with the students and make sure they see the logic in what we're doing; the troops should resort to "all means necessary" only if everything else fails. In other words, before we clear the Square, we should use TV and radio to advise students and citizens to avoid the streets at all costs, and we should ask the ones who are in the Square to leave of their own accord. In short, we've got to do an excellent job on propaganda work; it has to be clear to everyone that we stand with the people, and we must do everything we possibly can to avoid bloodshed. The Martial Law Command must make it quite clear to all units that they are to open fire only as a last resort. And let me repeat: No bloodshed within Tiananmen Square—period. What if thousands of students refuse to leave? Then the troops carry away thousands of students on their backs! No one must die in the Square. This is not just my personal view; it's Comrade Xiaoping's view, too. So long as everybody agrees, then it will be unanimous.

June Fourth

Tiananmen Square lies at the geographic center of the capital city and just southeast of Zhongnanhai, where the last dynasty's emperors had their hunting park and where top Communist Party leaders now work. Beginning with the May Fourth movement against imperialism and for democracy in 1919, Tiananmen has also become a traditional site for popular protests. These protests have often been led by university students, who are especially numerous here because Beijing is the country's preeminent center of higher education.

As soldiers entered the city in plainclothes and in uniform, instead of meeting with popular understanding they encountered anger and

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some violence. The party leaders' hopes of avoiding bloodshed foundered on this resistance and the troops' emotional reaction to it.

The government's internal reports claimed that Deng Xiaoping's goal of no deaths in Tiananmen Square was achieved. Most of the deaths occurred as troops moved in from the western suburbs toward Tiananmen along Fuxingmenwai Boulevard at a location called Muxidi, where anxious soldiers reacted violently to popular anger.

Excerpt from Martial Law Command, "Situation in the Muxidi district," Bulletin (*Kuaibao*), June 3:

Advance troops of the Thirty-Eighth Group Army, who were responsible for the western approaches, massed in the western suburbs at Wanshou Road, Fengtai, and Liangxiang. At 9:30 PM, these troops began advancing eastward toward the Square and encountered their first obstacle at Gongzhufen, where students and citizens had set up a blockade. An anti-riot squad fired tear gas canisters and rubber bullets into the crowd. At first the people retreated, but then they stopped. The anti-riot squad pressed forward, firing more tear gas and more rubber bullets. Again the crowd retreated but soon stopped.

The troops kept firing warning shots into the air, but the people displayed no signs of fear. The stretch from Gongzhufen to the military museum, Beifengwo Street, and Muxidi is less than two kilometers, but the troop advance was slow because of citizens' interference. The crowd threw rocks, soda bottles, and other things, but the troops maintained strict discipline and did not fire a single shot in return.

Believing the troops would not use live ammunition, the citizens grew increasingly bold. At 10:10 PM, tens of thousands formed a human wall at Beifengwo Street to block the troops, the two sides faced each other over a distance of twenty to thirty meters. Some of the citizens continued throwing rocks and other objects. Using an electric bullhorn, the commanding officer exhorted the citizens and students to disperse and let the troops pass. When the measure failed, he decided to use force to assure his soldiers could reach their positions on time.

Infantrymen led the way, firing into the air. The soldiers—with the first two rows in a kneeling position and those in the

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back standing—pointed their weapons at the crowd. Approximately 10:30 PM, under a barrage of rocks, the troops opened fire. Sparks flew from ricocheting bullets. When people in the crowd realized that live ammunition was in use, they surged in waves toward the Muxidi Bridge. Their retreat was hindered by the roadblocks they had set up, and for this reason some in the crowd were trampled and badly injured.

Excerpts from State Security Ministry, "Situation at Muxidi on the evening of the third," Important intelligence (*Yaoqing*), 2 AM, June 4:

... At Muxidi Bridge the troops were stopped once again as citizens and students threw the broken bricks they had prepared in advance. A few dozen baton-wielding members of the troops' anti-riot brigade stormed onto the bridge, where they were met with a barrage of broken bricks as thick as rain. The brigade was driven back. Then regular troops, row by row, came rushing onto the bridge chanting, "If no one attacks me, I attack no one; but if people attack me, I must attack them," and turning their weapons on the crowd. People began crumpling to the ground. Each time shots rang out, the citizens hunkered down; but with each lull in the fire they stood up again. Slowly driven back by the troops, they stood their ground from time to time shouting "Fascists!" "Hooligan government!" and "Murderers!"

... Some soldiers who were hit by rocks lost their self-control and began firing wildly at anyone who shouted "Fascists!" or threw rocks or bricks. At least a hundred citizens and students fell to the ground in pools of blood; most were rushed to nearby Fuxing hospital by other students and citizens.

... After infantrymen had cleared the street of roadblocks, returning fire the whole time, armored cars and army trucks drove onto the Muxidi Bridge. From then on there were no more lulls in the shooting. Soldiers on the trucks fired into the air continuously until people hurled rocks or verbal insults, and then they fired into the crowd.

... Around 11 PM, armed foot soldiers, armored cars, and army trucks headed toward Tiananmen. After the troops had passed, citizens and students pushed electric buses back into

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the street, placing them across it, and set them on fire to block troops that were following. It was then approximately 11:40 PM.

At midnight some citizens set up new roadblocks on the eastern approach to Muxidi Bridge. To the east of the bridge, near the subway station, lay twelve lumps of flesh, blood, and debris. The bodies of dead and wounded were being delivered continually to the door of Fuxing hospital. Some arrived on three-wheeled flat-bed carts, others were carried on wooden doors, and some came on the backs of motorcycles. One bloody corpse whose face was unrecognizably mangled was carried on a door. Virtually everyone at Fuxing hospital was cursing "Fascists!," "Animals!," and "Bloody massacre!"

By 1:30 AM, Fuxingmenwai Boulevard in the area of Muxidi Bridge was deserted and shrouded in deathly silence.

Lights Out in the Square

By 1 AM on June 4, all martial-law troops had entered Tiananmen Square and for three hours pressed students to voluntarily leave before the 4 AM deadline for clearing the square.

Excerpt from State Security Ministry, "Trends in Tiananmen Square," fifth of six overnight faxes to Party Central and State Council duty offices, 6:08 AM, June 4:

At four o'clock sharp all the lights in the square went out, sending its occupiers into a panic. At the same time, the Martial Law Command continued to broadcast its "Notice to Clear the Square," now adding: "We will now begin clearing the square, and we accept your appeal to evacuate."

The Beijing Government and the Martial Law Command then broadcast a "Notice Concerning the Immediate Restoration of Order in Tiananmen Square." It listed four demands:

- Anyone on the Square who hears this announcement must leave immediately.
- Martial law troops will use any means necessary to deal with those who resist this order or disobey by remaining on the Square.

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• The Square will be under the strict control of martial law troops after it is cleared.

• All patriotic citizens and students who do not want to see turmoil in the country should cooperate with the martial law troops to clear the Square.

At this point students who were gathered on the steps of the Monument to the People's Heroes used blankets, sticks, canvas, and other things to light a bonfire on the western side of the monument. Then they began singing the "Internationale."

[Hunger strikers] Hou Dejian and Zhou Duo returned to the Square after meeting with martial law authorities. Over the student public-address system they called for an immediate evacuation. In the dark, people were saying school buses from Peking University had come to take students back to campus, but this news caused no notable reaction from the students. The area was shrouded in darkness, except for the distant flames and street lamps on Chang'an Boulevard.

Martial law troops advanced toward the monument from north to south in two columns. Soldiers of the shock brigade first smashed two AFS loudspeakers then advanced through the crowd on the western steps of the monument with their assault rifles pointed alternately into the air and at the students to frighten them off. About that time the students around the monument, who were under the direction of the General Headquarters for the Protection of Tiananmen Square, conducted a voice-vote. Those, including Hou Dejian's group, who shouted "Leave!" were louder than those who shouted "Stay!"

The leader of the command post then told the students in the Square to "prepare to leave the Square in an orderly manner under your school banners; students, citizens, workers, and citizen monitors should evacuate toward Haidian District and move toward Zhongguancun."

Around 4:30 AM the lights in the Square came back on. Students found themselves facing a large number of armed soldiers, who pressed the students closer and closer together. Tension gripped the protesters, especially when they saw rows of tanks and armored cars moving slowly through the Square from its north edge. The Goddess of Democracy, in the northern part of the Square, fell with a resounding thud. The tanks and armored cars kept advancing, knocking down and crushing student

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tents along the way, until they flanked the students on the east and west, as close as twenty or thirty meters away. From the northwest corner of the Square rows of soldiers wearing helmets and carrying batons kept pressing toward the students at the Square's center. Anti-riot police in protective headgear mingled with them.

About 5 AM thousands of students, protected by the linked arms of monitors, retreated toward the southeast corner of the Square via the path between the grassy area and the monument. At first they moved slowly, but they soon began to bunch up as soldiers, some in fatigues, pressed toward them swinging batons. With their path to the monument blocked by troops and tanks, they threaded their way among tanks and armored cars toward the southern entrance at the east of the Square. They made an orderly retreat, carrying school flags and singing the "Internationale." Occasionally there were shouts of "Repressive Bloodbath!" "Down with Fascism!" "Bandits! Bandits!"—even "Fucking Animals!" and the like. Some spat on the soldiers as they passed.

Dawn broke about 5:20. The bulk of the students had left the Square, but about two hundred defiant students and citizens remained and were now completely hemmed in by tanks, which advanced on them slowly and patiently, gradually forcing them back. When this last group had finally been pushed from the Square and had rejoined its citizen supporters outside, some of its members mustered the courage to shout, "Fascists! Fascists!" and "Down with Fascism!" In reply, officers and soldiers who were gathered at the Chairman Mao Memorial Hall fired their weapons into the air and shouted in unison, "If no one attacks me, I attack no one!" By 5:40 AM, the Square had been cleared.

Many investigations have established that in the entire process of clearing the Square, martial law troops did not shoot a single person to death and no person was run over by a tank.

Still, some killing of both citizens and soldiers continued during the morning hours. The populace was outraged, and rumors spread of casualties in the thousands.

In the following days the government confronted international and domestic reactions so vociferous that they threatened to fulfill Deng

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AP/WIDE WORLD PHOTOS

After the tanks: Bodies near Tiananmen Square, July 4, 1989

Xiaoping's worst fear: that a bloody denouement would make it impossible to continue reform at home and the open-door policy abroad.

Nationwide Protests Continue

Between June 5 and 10, Zhongnanhai received nearly a hundred reports from the provinces on local reactions and on emergency meetings and police deployments undertaken in response. There were demonstrations in 181 cities, including all the provincial capitals, the major cities, and special economic zones. Many forms of protest, some of them violent, emerged. By June 8, the situation had begun to stabilize in some cities.

On the afternoon of June 9, Deng Xiaoping gave a talk to high-ranking officials of the martial law troops, and the State Council issued an "Announcement on Resolutely Preventing Disruption of Economic Order and Ensuring That Industrial Production Proceeds Normally." All province-level governments adopted procedures from the "Notice on Ensuring Urban Security and Stability" that the Party General Office and the State Council had issued. The Public Security Ministry's "Urgent Notice Demanding Close Surveillance and Control

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of Turmoil Elements" led municipal public security offices to launch an all-out campaign to arrest student leaders and citizen activists.

By June 10, this campaign effectively throttled protest activities everywhere, and an outward calm set over the country.

The Leaders Take Stock

On June 6, two and a half days after what was now officially called "putting down the counterrevolutionary riots," the healthier elders (Deng Xiaoping, Li Xiannian, Peng Zhen, Yang Shangkun, Bo Yibo, and Wang Zhen) met with the currently serving members of the Politburo Standing Committee (Li Peng, Qiao Shi, and Yao Yilin), plus National People's Congress head Wan Li and the incoming Party general secretary, Jiang Zemin.

Excerpts from Party Central Office Secretariat, "Minutes of the CCP Central Politburo Standing Committee meeting," June 6, with a small number of supplements added from a tape recording of the meeting:

Deng Xiaoping: If we hadn't been firm with these counterrevolutionary riots—if we hadn't come down hard—who knows what might have happened? The PLA has suffered a great deal; we owe them a lot, we really do. If the plots of the people who were pushing the riots had gotten anywhere, we'd have had civil war. And if there had been civil war—of course our side would have won, but just think of all the deaths! ...

Li Xiannian: If we hadn't put down those counterrevolutionary riots, could we be talking here now? The PLA soldiers really are the brothers of the Chinese people, as well as the sturdy pillars of the Party and the state. ...

Yang Shangkun: We've paid a high price for putting down these counterrevolutionary riots. Restoring social order in Beijing should be our top priority now, and that means we've got a lot of political thought work to do.

Bo Yibo: I've got some material here—reports from all the big Western news services and TV networks about the so-called June 4 bloodbath at Tiananmen and the numbers of dead and

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wounded. Let me read it. Associated Press: "At least five hundred dead." NBC: "Fourteen hundred dead, ten thousand wounded." ABC: "Two thousand dead." American intelligence agencies: "Three thousand dead." BBC: "Two thousand dead, up to ten thousand injured." Reuters: "More than one thousand dead." L'Agence France-Presse: "At least fourteen hundred dead, ten thousand injured." UPI: "More than three hundred dead." Kyodo News Agency: "Three thousand dead, more than two thousand injured." Japan's *Yomiuri Shimbun:* "Three thousand dead."

The impact is huge when numbers like these get spread all over the world! We need to counterattack against these rumors right now.

Li Peng: Mr. Bo is right. Yuan Mu is holding a press conference this afternoon at Zhongnanhai to release the true facts. The General Office of the State Council reports that as of noon today the basic statistics—which have been double- and triple-checked with Martial Law Headquarters and the Chinese Red Cross—are these: Five thousand PLA soldiers and officers wounded, and more than two thousand local people (counting students, city people, and rioters together) also wounded.

The figures on the dead are these: twenty-three from the martial law troops, including ten from the PLA and thirteen from the People's Armed Police. About two hundred soldiers are also missing. The dead among city people, students, and rioters number about two hundred, of whom thirty-six are university students. No one was killed within Tiananmen Square itself.

Deng Xiaoping: ... This incident has been a wake-up call for all of us. We'll never keep the lid on if we relax on the Four Basic Principles.

... Our use of martial law to deal with the turmoil was absolutely necessary. In the future, whenever it might be necessary, we will use severe measures to stamp out the first signs of turmoil as soon as they appear. This will show that we won't put up with foreign interference and will protect our national sovereignty.

Li Xiannian: The key to stabilizing things right now is to be supertough in tracking down the counterrevolutionary rioters, especially the plotters who were organizing things behind the scenes. This conflict is a conflict with the enemy. ...

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Deng Xiaoping: We should mete out the necessary punishments, in varying degrees, to the ambitious handful who were trying to subvert the People's Republic. ... But we should be forgiving toward the student demonstrators and petition signers, whether from Beijing, from elsewhere in China, or from overseas, and we shouldn't try to track down individual responsibility among them. We also need to watch our methods as we take control of the situation.

We should be extra careful about laws, especially the laws and regulations on assembly, association, marches, demonstrations, journalism, and publishing. Activities that break the law must be suppressed. We can't just allow people to demonstrate whenever they want to. If people demonstrate 365 days a year and don't want to do anything else, reform and opening will get nowhere. ...

Rounding up Democracy Activists

The work of hunting down activists of the democracy movement in Beijing was shared by the martial law troops, the People's Armed Police, and the Municipal Public Security Bureau. Guidelines like the following help explain why most of those detained suffered physical abuse.

Excerpt from Martial Law Headquarters, "Unify thinking, distinguish right from wrong, complete the martial law task with practical actions," June 10:

In order to dissipate the anger and antagonism that martial law troops feel toward the residents of Beijing, to clarify the muddled understanding that many people have, to isolate the tiny minority of rioters from the vast majority of Beijing residents, and to establish correct attitudes toward the people, we need to ask all the officers and soldiers to concentrate their hatred on the small handful of thugs and rioters, to smash their evil nests, to punish the rioters, and to wrap up their martial law duties through concrete actions.

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Issues number 26, 31, and 37 of the Beijing Public Security Bureau's Public Order Situation (*Zhi'an qingkuang*) show that 468 "counter-revolutionary rioters and creators of turmoil" had been arrested by June 10. On June 17, eight of these were sentenced to death for "beating, smashing, robbing, burning, and other serious criminal offenses during the counterrevolutionary riots in Beijing." By June 20, the number of "counterrevolutionary rioters" and "turmoil elements" who had been arrested was 831; by June 30, it was 1,103. Most of the arrestees were held in temporary detention centers or makeshift jails.

Once the situation in Beijing was under control and province-level authorities throughout the country had expressed their support, Party Central unfolded a series of measures against activists throughout the country.

Many Student Leaders Escape

Despite police efforts, people as well known as Yan Jiaqi, Chen Yizi, Wan Runnan, Su Xiaokang, Wuerkaixi, Chai Ling, Feng Congde, and Li Lu made their way out of China without a single person involved breaching confidence and collecting the rewards that such a breach would have brought.

Chai Ling, the Peking University graduate student who was general commander of the Tiananmen Square Command, evaded an arrest warrant and escaped from the country.

Feng Congde, a Peking University graduate student and deputy commander of the Tiananmen student headquarters, also evaded an arrest warrant and fled the country.

Li Lu, a Nanjing University student and commander in chief of the non-Beijing students at Tiananmen, fled to the United States.

Wang Dan, a Peking University freshman and leader of the Autonomous Federation of Students, was arrested. In 1998, he was released for a medical parole and went to the United States.

Wuerkaixi, a Beijing Normal University freshman and a leader of the AFS, fled to the United States and eventually went to Taiwan.

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The Mood on Campus

A national survey conducted by the Xinhua News Agency at the end of June found university students everywhere in a mood of terror and resistance blanketed in silence.

Excerpt from Xinhua News Agency, "The ideological condition of college students nationwide," Proofs on domestic situation (*Guonei dongtai qingyang*), June 29:

Terror: A tense mood, under fear of punishment or arrest, pervades the universities. Leaders of the student movement have departed their campuses, and rumors are rampant about who is being picked up and when. The students who were most active in the movement are the most nervous. Some provinces have stipulated that even students who sat in to block traffic should be arrested, and many students have grown so insecure they cannot sleep well at night. A number of young lecturers at Wuhan University who had given speeches during the movement now are so terrified they sent their wives and children to their in-laws' homes and waited alone to be arrested at the university.

It is noteworthy that even students who only marched in demonstrations and shouted some slogans are frightened as well. One university administrator said students "thought of the recent student movement as a patriotic movement; many took to the streets to protest against official profiteering and then were puzzled when the movement was labeled 'turmoil.' Now the common mood is worry; the students are all wondering, 'Am I going to get punished?'"

A few nights ago about a hundred students were gathered at the gate of Heilongjiang University when a police car passed by. Someone yelled "Police!" and they all scattered like animals scurrying for cover. Some students have been thinking in terms of the arbitrary arrests during the Anti-Rightist Campaign and the Cultural Revolution, so when the slightest sign of something pops up, it has an exaggerated effect.

Resistance: Nationwide about one in five university students remains defiant. These students scornfully resist government decrees and oppose efforts to put down the riots. Some have

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adopted a "four don'ts" policy toward the domestic media: don't listen, don't read, don't believe, don't ask. Some students make obscene comments while they watch television. Some write on the walls of their dormitories and classrooms things like "Shut up!" "Thunder from the silent zone!" "China is dead!" "Where is justice?" "The government caused the turmoil!" "The truth will out some day!" "Yet another Tiananmen incident!" and so on. The students at many schools—especially the boys—sometimes seem crazed. When the lights go out at night they vent their rage with wild yelps and cries.

Silence: About one in three students maintains a purposeful silence. After June Fourth all the universities required students to reflect on their roles in the student movement. Many students kept going around in circles, willing to address only a limited number of concrete questions. On the matter of how to turn their own thinking around, they just kept silent. "I don't know" became the answer to every question, silence the shield against every arrow. When political study sessions were scheduled, some students just put up posters in their dorms and classrooms that read "silence is golden." The campuses had calmed down but had also turned as silent as graveyards. When the silence finally broke, students often avoided politics. They ignored the national news and turned to things like romance, mah-jongg, and other amusements.

The moods listed above affect not only students but quite a few university officials and teachers as well. It is reported that some Beijing officials and teachers, although they did not take part in the turmoil and are now actively working on the political thinking of students, cannot make their peace with phrases like "Riots took place in Beijing." They just cannot put their hearts into uttering such language. Some feel that it is understandable if the government makes some miscalculations and if the whole economy is not set right in a day but that embezzlement and corruption are unacceptable. To share ups and downs is fine, but for you to take the ups and leave me the downs is not.

An official from Peking University reports that things are tough for people from his university. When students check in at hotels, many get pushed out the door as soon as it is known where they are from. One Peking University student who was on business in Yanqing county actually got beaten up. The job

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> assignments for seniors graduating in 1989 have been completed, but some employers, including the Central Party School, the Chinese Association of Handicapped People, and the Beijing Committee of the Youth League, have rejected certain students. This official is afraid that gifted students will not apply to Peking University this year, which in turn could lead to lower quality in the incoming class.

The report recommended that great care be taken in applying current policy to the students and that, at all costs, the numbers of those punished be strictly limited.

Chinese society fell into a deep anomie after June 4. Numbed, people everywhere turned away from politics. The sensitive intellectual class, and especially the young students with their exuberant idealism, entered the 1990s with nothing like the admirable social engagement they had shown in the 1980s. The campuses were tranquil, and China seemed shrouded in a dour mist that harbored a spiritual emptiness. Money ruled everything, morals died, corruption burgeoned, bribes were bartered, and when all this became known on the campuses it turned students thoroughly off politics. They had lost the idealism of the 1980s and now concentrated only on their own fates.

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Challenges for the Next President

AP/WIDE WORLD PHOTOS

William Patrick, a bioweapons expert, shows Congress how easy it is to release biological agents, Washington, D.C., March 1999

Washington's three responses to bioterrorism—military defense, hazardous-material defense teams, and high-technology sensors—are seriously flawed.

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Facing Reality in China Policy

David Shambaugh

CHINA POLICY IN TRANSITION

THE CAMPAIGN is over and, although the rhetorical smoke about whether China is a strategic partner or competitor still lingers, the new U.S. administration must now craft and implement its policies toward China and Taiwan. The president's foreign policy and security team has to adjust itself to a number of pressing realities, so the White House should move with dispatch to process senior China and Asia appointments and begin systematic policy reviews. This group should focus on both the current U.S.-China agenda—which includes some important issues that require immediate attention—and the broader context of the U.S.-China relationship. First, the administration must handle some pressing issues.

THE IMMEDIATE AGENDA

THE FRAGILITY and inherent dangers of the Taiwan situation command immediate attention. In April, the United States will have to make the next round of decisions on conventional arms sales to Taiwan. The decision, deferred last year, on whether to sell Arleigh

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Burke–class destroyers equipped with sophisticated AEGIS battle-management systems and antimissile defenses will be particularly sensitive and has the potential to precipitate a diplomatic crisis with Beijing. The administration needs to be prepared for the fallout if it decides to proceed. U.S. policymakers will also face ongoing choices about helping Taiwan upgrade its military command-and-control infrastructure and potentially providing theater missile defenses (TMD) for the island.

Second, the need to jump-start a dialogue and build a sustainable framework of interaction between Beijing and Taipei is pressing. The current impasse between the two sides is fraught with danger—it threatens U.S. interests (and potentially soldiers' lives), as well as broader peace and stability in the Asia-Pacific region.

While not trying to mediate the intractable problem, the new administration should actively seek to bring the two sides to the bargaining table. This is not a problem amenable to easy solutions, and any resolution must be agreed on by both sides rather than imposed by either one. But Washington's considerable influence and leverage could help move the situation forward, if a careful mix of policy instruments is applied toward both sides.

Any official cross-strait dialogue must take the "one China" principle as its starting point. This principle, which holds that Taiwan is part of China, had been the accepted bottom line in Washington, Beijing, and Taipei until the 1990s, when the government of Taiwan progressively drifted away from that position. Even though in the eyes of all but a dozen or so countries Taiwan is not a sovereign nation-state, it does possess substantial international autonomy, and its democratic progress commands the world's respect. This autonomy must be turned from a negative into a positive factor and should serve as the basis for serious talks over forming a newly constituted Chinese nation-state.

The concept of confederation offers the best hope for an ultimate solution: it would bring the island back into the sovereign fold of China while guaranteeing substantial autonomy to Taiwan. Indeed, many intellectuals (and some officials) on both sides of the strait have been actively exploring the implications of the confederal, federal, and commonwealth models. Washington should actively encourage

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this search for possible solutions and may have much to offer in the process. Nations with similar political structures, such as Great Britain, India, Australia, and Germany, may also have useful ideas and experience to contribute.

To reach a solution, ultimately, will require a redefinition of China's status as a state in the international community, as well as a reconfiguration of the mainland's political system. If Beijing truly wishes to solve the Taiwan problem, it must be prepared to undertake substantial political changes at home. It must shed its ossified positions and develop a truly innovative and flexible formula that actually attracts Taiwan back into the national fold. Forcing unification will never work, and the Hong Kong model will not satisfy the Taiwanese.

Such an outcome, however difficult, would provide a win-win solution. In the meantime, a variety of interim agreements could be reached to preserve stability while progressively moving toward a new federal or confederal system. (An essential component of any interim agreement would be a pledge by China not to use force in return for a pledge by Taiwan not to declare independence.)

The third pressing issue for the new administration is the implication for the U.S-China nuclear balance of pursuing a U.S. national missile defense (NMD). Although NMD has yet to prove technically feasible, China has warned it will increase its nuclear arsenal at least tenfold—from its current 16–20 intercontinental ballistic missiles to 200–250—if the United States proceeds with even the most minimal variant of NMD. As with the AEGIS destroyer decision, but with much more serious implications in this case, if Washington decides to proceed with NMD, policymakers must clearly understand all of the strategic consequences: this attempt to ensure security may, in fact, undermine it. The potential deployment of TMD in Japan and Taiwan is another hot-button issue for Beijing that could also provoke a crisis or stimulate regional missile proliferation. Again, if Washington decides to proceed with TMD, much diplomatic groundwork needs to be laid first.

Fourth, the new administration faces a dynamic and evolving situation on the Korean Peninsula that has potentially profound implications for U.S. alliances and force deployments in northeastern Asia. Adjustments will inevitably be necessary if the détente proceeds, let alone if reunification is accomplished. Since the 1999 Perry report

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AP/WIDE WORLD PHOTOS

On guard: Japanese photographers with a Taiwanese soldier, Kinman Island, Taiwan, March 9, 2000

(the culmination of former Secretary of Defense William Perry's diplomatic efforts as President Clinton's special envoy to North Korea), Beijing and Washington have adopted reinforcing policies in support of further Korean cooperation.

But change on the Korean Peninsula also further emphasizes the need to develop a regional security architecture that redefines, yet enhances, U.S. mutual security alliances in East Asia and keeps American military forces forward-deployed, but in a way that China can live with. The problem is that official Chinese policy advocates abrogating U.S. official alliances and an eventual withdrawal of U.S. forces from the region. This unsustainable position betrays a fundamental disagreement about America's preeminent security role in East Asia and Japan's increasing regional security contribution. Indeed, it is a dangerous cancer festering on the U.S.-China relationship and on the Asia-Pacific region.

Washington urgently needs to initiate and sustain high-level discussions with Beijing to explore a regional security architecture that both retains long-standing U.S. commitments and, at the same time,

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involves China more actively and constructively in maintaining regional security. If China remains outside such an architecture or becomes the expressed target of such alliances, the region will remain fundamentally unstable. Beijing needs to be drawn into an adjusted regional framework in a positive-sum fashion—but this requires significant policy adjustments from both governments.

Fifth, the next administration inherits ongoing concerns about China's proliferation of nuclear technology and missile components. Fortunately, in the waning months of the Clinton administration, Washington persuaded the Chinese government to institute more thorough export controls to govern the transfer of sensitive items used for developing ballistic missiles. The new administration should press for firmer commitments and work to integrate China fully into the Missile Technology Control Regime.

Americans are beginning to doubt the wisdom of military cooperation with China.

Sixth, the perennial American concerns about improving human rights and the rule of law in China remain unresolved. The situation has continued to deteriorate over the past year, particularly with Beijing's continued persecution of house churches (small Christian assemblies that meet in homes) and various religious practitioners, including the Falun Gong sect. The administration needs to prepare its strategy now for the spring meeting of the U.N. Commission on Human Rights in Geneva by mounting a serious campaign to mobilize a broad coalition of nations in condemnation of Beijing's abuses. Heading this charge will prove diplomatically difficult, but to not do so would be morally abject.

Seventh, within the first six weeks after the new president's inauguration, the Pentagon and the Chinese military are due to hold their annual Defense Consultation Talks. Aside from allowing senior officials of the two military establishments to exchange views on global strategic and regional security issues, these talks also set the schedule for bilateral military exchanges for the balance of the year. These exchanges are important to both sides for a number of reasons but have come under increased scrutiny and fire from Congress and some American commentators. The new military-exchange package needs to be negotiated with care, with an eye toward protecting U.S.

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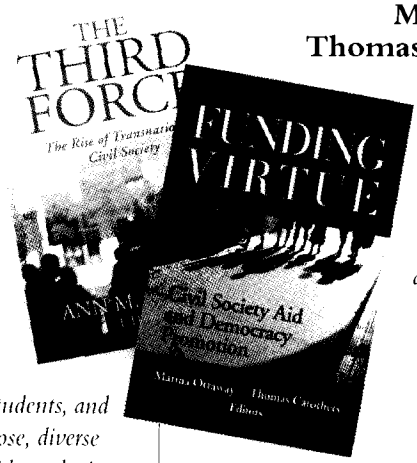

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national security while advancing useful interchange.

Finally, China is in the last lap of gaining full accession to the World Trade Organization (WTO). The United States cannot do much more to help the process now that Congress has voted to extend to China permanent normal trade relations (PNTR). Beijing has one more bilateral agreement to conclude, with Mexico, but the endgame has already begun in the WTO Working Party in Geneva. The new administration's trade representatives should both work to forestall any backsliding on Beijing's part and move with dispatch to finish the complex and protracted process soon so that China can take its WTO seat this year.

THE TIES THAT BIND

IN ADDITION to the pressing issues detailed above, Washington's new administration also inherits the broader context of U.S.-China relations: the bilateral, regional, global, and domestic concerns that surround the relationship. These realities will help shape, but will also constrain, any policy initiatives. The new administration must therefore appreciate and proceed from five fundamental realities that shape the policy environment.

First, engagement with China is a fact of life, not a policy preference that can be turned up, down, on, or off at the whim of an administration. The United States and China are linked by an extensive web of cultural, societal, scientific, and commercial ties that bind the two nations together through countless daily human interactions. Unlike during the Cold War with the former Soviet Union, during which the two adversaries had minimal exchanges in these areas, today Americans and Chinese share a dense network of professional and personal bonds. These bonds are neither generally reported in the media nor appreciated by analysts, but they form a real web between the two countries.

Every year nearly 200,000 Americans visit China, but even more Chinese received tourist visas to the United States in 1999 (the U.S. embassy in Beijing reported 320,000 applications, of which it granted 214,000). In addition, approximately 50,000 Chinese students received visas to study in the United States this academic year. Although not large in aggregate terms, a small but steady current of scientists and other professionals crosses the Pacific in both directions to collaborate

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in research, attend professional meetings, and share views. Cultural and athletic exchanges, as well as sister-city and state-province exchanges, add to the total number of social and cultural linkages. These ties have grown steadily over the two decades since the normalization of diplomatic relations.

Extensive trade and commercial ties also bind the two nations. They are engaged in nearly $100 billion in annual bilateral trade, the volume of which has grown by more than $10 billion per year recently—a rate that will only accelerate now that Congress has granted PNTR to China. Of course, the more than $60 billion trade surplus in China's favor is unacceptably high and needs to be brought down. But overall, trade and investment further anchor the often volatile relationship, counterbalancing frictions in other areas.

The wide range of communications and transportation links are another obvious, but important, element literally connecting the two nations. Daily flights between the two countries are regularly full. Telephone calls, e-mails, and faxes crackle through the wires every minute of the day. Journalists of the print and broadcast media, in addition to filmmakers in both nations, also directly inform the average citizens of both societies about each other. In short, American and Chinese societies are bound together by both the forces of globalization and by their own thick network of bilateral interactions. These various nongovernmental exchanges give depth and breadth to U.S.-China relations and provide powerful buffers against the frequent volatility of political and strategic relations.

Therefore, U.S.-China relations are not necessarily adversarial, as some commentators suggest. Cold War–era relations between the United States and the former Soviet Union, by contrast, allowed for only minimal exchanges of the type that connect Chinese and American private citizens today.

COOPERATION AND COMPETITION

THE SECOND REALITY is that, although often juxtaposed in rhetoric, as during the recent U.S. presidential campaign, the dichotomy between strategic cooperation and competition is a false one—the U.S.-China relationship is a mixture of both. Despite the discordant

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issues over which their mutual interests and perspectives diverge and diplomatic tensions sometimes run high, numerous areas exist where the two governments have complementary or convergent interests and can enjoy positive ties.

For example, in the area of "high security," Washington and Beijing share interests in stemming the development of weapons of mass destruction and controlling their means of delivery; limiting the spread of fissile material and other militarily and strategically sensitive items; adherence to the nuclear Nonproliferation Treaty (NPT) and the Comprehensive Test Ban Treaty (CTBT)—despite the latter's nonratification by the U.S. Senate—and working together in the field of nonproliferation; promoting a peaceful, economically viable, socially stable, and ultimately reunified Korean Peninsula free from weapons of mass destruction; reducing tensions in South Asia by bringing both India and Pakistan into the NPT and the WTO and freezing the nuclear programs of both nations before they move to weaponization and deployment; a peaceful resolution of the Taiwan problem according to the "one China" principle; and finally, peace and stability in the Asia-Pacific region (even if the two sides view the sources of instability differently and advocate different means of conflict prevention). These are all vitally important strategic commonalities to build on.

Both sides must be careful not to incite a military conflict over their disagreements on Taiwan and the U.S. military role in Asia.

In addition, the two governments engage in substantive cooperation on a variety of issues that are increasingly important for regional and broader international security. Limited cooperation in the "low security" area includes combating narcotics production and trafficking, fighting organized crime, controlling illegal immigrant smuggling and piracy, controlling weapons smuggling, promoting economic stability and security, protecting the environment, providing disaster relief, and peacekeeping operations.

Of course, in addition to the many areas where Chinese and American interests coincide, real and fundamental disagreements over security also exist—particularly over Taiwan's security, and

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Japan's and America's military roles in East Asia—but these two powers are not preordained to suffer a hostile and adversarial relationship.

Because theirs is a relationship that contains the very real possibility of conflict, it is imperative that Beijing and Washington maximize cooperation, manage frictions, live with competition, and coexist peacefully. Above all, they should work to avoid confrontation—in the short term over Taiwan, and in the longer term over shaping the regional security structure for the early twenty-first century. Policymakers and pundits on both sides must keep vigilant watch for an inadvertent drift into conflict and work to avoid, not precipitate, a slide toward confrontation.

Whenever two nuclear powers face confrontation, they risk disaster. A war of either words or weapons between the United States and China will not serve their own national interests, the health of the Asia-Pacific region, or global stability. The operative goal for the two governments must be not only to manage the tensions but also to narrow the differences and thereby promote stability.

LIMITS TO CHANGE

THE THIRD REALITY that the new U.S. administration must accept is that China is a one-party authoritarian state resistant to political change. As abhorrent as most Americans find the Chinese political system and the horrendous abuses that the Chinese Communist Party (CCP) has inflicted on its citizens during its 50 years in power, the reality is that the U.S. government has very limited direct influence over the regime's domestic behavior. Unilateral pressure and sanctions have had an ephemeral impact at best, often aggravating relations unnecessarily, while multilateral pressure has proven only marginally better. Although America's democratic example remains a beacon for China's oppressed citizenry, Washington must be realistic about its external influence.

Americans are not likely to abandon their century-long "missionary impulse" to remold China in their liberal image, but they must be more patient about achieving that goal. Fundamental political change in China is possible, but it must come from within. There is little doubt that the CCP regime is ridden with cancerous corruption and has badly

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atrophied as a centrally controlled Leninist organization. Furthermore, it now lacks legitimacy in the eyes of many Chinese, as evidenced by a continuously rising number of public protests. In many ways, today's China exhibits all the classic signs of dynastic decline. But it is not likely that the CCP will implode and collapse like its counterparts in the former Soviet Union and Eastern Europe. Rather, a progressive decay will chip away at its power and legitimacy for some time, with the military serving as the ultimate guarantor of the regime.

But the new American administration can more clearly advocate political change in China, even if realistically anticipating a lengthy drama. The United States must speak clearly about its desire for the ultimate democratization of the Chinese political system—lest anyone, most of all the Chinese people, doubt its preferences. Such clarity will no doubt aggravate China's rulers and strain the bilateral relationship, but it will be consistent with the American ethos and send an unambiguous message to Beijing and other nations as to where the United States stands. This is called leadership. In the meantime, American interests require strengthening the capacity of the Chinese government—particularly at the local level—to implement the rule of law and carry out its international commitments and obligations. Nor is it contradictory to engage in the multitude of exchanges with Chinese officials (including those in the military) noted above: this sharing of ideas provides a key mechanism for guiding China's evolution in a more cooperative, transparent, and liberal direction.

DEALING IN ALLIES

THE FOURTH REALITY is that America's relations with Beijing are not just bilateral but should involve greater coordination with Asian and European partners. For far too long Washington has had a myopic view of its relationship with China that often ignores the opinions and policies of other key nations. This has particularly been the case with Europe, whose governments rightfully complain of total neglect in the formulation of American policy toward China and Asia. These allies point out that during the eight years of the Clinton administration, the assistant secretary of state for East Asia and the Pacific visited Europe for formal consultations only twice. His deputy was

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dispatched slightly more often—but seemingly always on the eve of a vote in the U.N. Human Rights Commission in Geneva. Such eleventh-hour diplomacy is inexcusable treatment of close allies, undermines American policy goals in multilateral organizations, and hinders the U.S. effort to mobilize international coalitions to move China in more constructive directions. In fact, the European Union commits more resources and manages more programs to improve China's governance than does the United States.

In addition, American and European experts on China and Asia need to interact much more, and a designated "Track II" diplomatic channel (unofficial contacts among nongovermental actors aimed at advancing diplomatic efforts) needs to be established to enhance policy dialogue. As the new administration forges its China policy, it must look across the Atlantic as well as across the Pacific. With appropriate consultation with its allies, Washington would likely find substantial European support for its diplomacy with China.

A divided Congress and a president with a weak mandate will have to work together and sell a new China policy to the American public.

Washington's consultations with governments in the Asia-Pacific region have been better than those in Europe but remain insufficient. Asian officials (including key allies in Tokyo and Canberra) too often learn of American initiatives toward China from the newspapers. Washington must anchor a successful policy toward China with a broader regional strategy—and it must sustain that strategy through frequent and detailed consultations with Asian states.

This diplomacy must begin with Japan, but it should also include America's four other regional allies—South Korea, Australia, Thailand, and the Philippines—and strategic regional partners such as Singapore. U.S. policymakers would also do well to consider Indian interests, through discussions with New Delhi, when formulating China policy. Again, these official consultations should be supplemented with Track II dialogue among specialists.

Above all, the new administration must view its bilateral relationship with China as just one element, albeit an important one, of its larger

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Asian vision—a multilayered security architecture, an open trading system, the growth of liberal democracy, increased rule of law and transparency, and strengthened interaction among like-minded states.

PARTNERING WITH CONGRESS

FIFTH, a successful China policy begins at home, with political cooperation in its formulation and public support for its implementation. But the bipartisan consensus that undergirded and guided China policy in the 1970s and 1980s has unfortunately collapsed, replaced by polarization and politicization of policy. Yet a political center in favor of "engagement" with China does exist between the Republicans and the Democrats, although extreme voices on both sides have been growing more vociferous. The issue of how to deal with China has become a lightning rod for the left and right alike. This political bickering places a crippling domestic burden on an effective China policy.

The new president and his administration should make rebuilding a bipartisan political consensus on China a high priority. This will not be easy given a Congress more evenly divided than at any other time in nearly a half-century and a president with a weak mandate to rule. To overcome these drawbacks, the president must devote regular personal attention to China and require the same of his cabinet. History clearly shows that China policy suffers from inefficiencies and bureaucratic rivalries when the president and senior White House staff are disengaged. Furthermore, the new president and his staff need to master the U.S. negotiating record with Beijing and Taipei and clearly understand Washington's previous commitments.

An essential part of this engagement means establishing a constructive partnership with Capitol Hill. Early in his first year, the president and key cabinet members should meet with the congressional leadership to define the division of responsibility between the two branches of government in forming a new consensus on, and implementing, China policy. Certain items should be protected from political squabbling, including arms transfers to Taiwan, which remain the prerogative of the executive branch. Regular executive-legislative consultations could establish an atmosphere of mutual trust and improve policy implementation.

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Moreover, after agreeing to such a framework with Congress, the president needs to explain to the American public why the United States needs a good working relationship with China. He should personally make the case for depoliticizing China policy, make clear what America's vital interests are with respect to Beijing and Taipei, and enunciate a clear vision for managing these complex relationships. A high-profile public speech early on should accomplish these tasks. Although a successful policy must reflect the views and support of the American people, public perceptions also require cultivation and education. New administrations often provide windows of opportunity for bipartisan agreements. If such basic and broad consensus can be reached, the media and the multitude of involved interest groups will take their cues accordingly.

In formulating and planning how to implement its China policy, the new administration must recognize that dealing with China is no longer the sole preserve of the executive branch. It is now a profoundly pluralized policy process—perhaps more than U.S. policy toward any other country. Congress, interest groups, and the media all have important roles as well as responsibilities. Congress should also consider holding Fulbright-style hearings on China policy, convened by a specially composed bipartisan committee, to air the range of views about America's most important future relationship.

THE BUREAUCRATIC CONTEXT

A FINAL STEP toward devising a successful China policy is to institutionalize some new positions and procedures within the executive branch. A number of reforms are needed.

First, China policymaking needs to become more centralized. A single individual should be vested with presidential authority to oversee and coordinate China policy across executive-branch departments. This individual should have substantial experience with China and Taiwan issues and the stature necessary to command respect from both Beijing and Taipei; this person would also need the trust of the president and his national security team, as well as Congress' respect. An expert with sufficient authority would give both Beijing and Taipei a primary channel of communication that would reduce their

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ability to manipulate the separate parts of the Washington bureaucracy and Congress. This official would also synthesize the component parts of China policy, facilitate its implementation, and be the point person on domestic relations.

In addition, it now makes little sense to bureaucratically divorce East Asia from the rest of the continent. The U.S. foreign policy machinery has yet to adjust to the post–Cold War Asia, where issues and problems quickly cross borders and are inextricably intertwined. South Asian issues have a much closer bearing on East Asia than on the Middle East, and the Central Asian republics are also developing closer ties to East Asia. Serious consideration should be given to bringing South and Central Asia under the Asian Directorate at the National Security Council (NSC), as well as creating a broader Bureau of Asian Affairs at the State Department. This bureau would be staffed by an assistant secretary with overall regional responsibility but also with deputy assistant secretaries designated for various subregions of Asia. The intelligence community should also be restructured accordingly (in one particularly odd anomaly, the East Asia analysis team at the CIA is currently lumped together with the Latin America team).

This new regional system would take the many issues that transcend Asian borders—weapons of mass destruction, organized crime, narcotics, public health, human rights, and the environment—out of the current piecemeal, bilateral mold. It would also help link these issues to global policy initiatives. More functional specialists also need to be appointed to the new regional bureaus, as has already started happening at the CIA. The State Department, the NSC, and the Department of Defense should seriously consider adopting a similar model. The dramatically increased "functionalism" of the foreign policy and national security bureaucracy during the Clinton years has often been a recipe for uncoordinated and overly cumbersome policymaking. Hence, streamlining functional expertise and integrating it into reconfigured regional bureaus would improve policy development and execution.

Such reorganization would also better harmonize China policy with broader Asia policy. China policy has too frequently been made on the basis of bilateral or domestic concerns, without due regard for

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its impact on the region or the interests of China's neighbors. Occasionally, the same problem has led the United States to neglect the impacts of its regional actions on China. For example, when the U.S. Army's 82nd Airborne Division parachuted into Mongolia and Kazakhstan last summer in joint exercises aimed at building bilateral security ties with these countries, China's perceptions of such actions were not given due consideration.

GETTING CHINA POLICY RIGHT

IMPLEMENTING THESE POLICIES will require recognizing China's importance in America's future and prioritizing the new administration's foreign and national security policies accordingly. There may be no more important country in America's future. China is undoubtedly a rising power in both absolute and relative terms. The operative policy questions for the United States are how to adapt to China's rise, how quickly China is modernizing, and toward what ends. The United States must decide in which realms to facilitate or frustrate China's modernization. In the realm of military modernization, for example, it is not in America's national interest to help the People's Liberation Army develop a power-projection capability. However, a prosperous, stable, and responsible China is clearly in American national interests—and modernization and growth in certain civilian realms will move China in that direction.

A successful policy toward China must therefore help funnel China's progress in a peaceful, constructive direction. All too often in recent years, China policy has been made and implemented in a piecemeal, ad hoc, and reactive fashion. Strategic vision is required for the next administration—but so too is political will. Unless the president and his team are willing to articulate, educate, advocate, and fight for the policy of hard-headed engagement, it will fail—and the strategic die of the early twenty-first century will be cast with these two nuclear-armed continental powers as adversaries. The United States, China, and the entire Asia-Pacific region will lose if this comes to pass. Indeed, global affairs will be profoundly destabilized if those who seek confrontation with China hijack American policymaking. It is therefore vital that the new administration gets China policy right, and that it does so soon.

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A Grand Trade Bargain

David E. Sanger

CLOSING THE WEALTH GAP

THE CLINTON ADMINISTRATION came to Washington eight years ago with a straightforward plan to reorient American foreign policy. To spur a lagging economy, it put America's commercial interests—promoting exports and opening markets—on par with the country's traditional security interests. It was a strategy born of the "it's the economy, stupid" campaign. To its enthusiasts, this was a long-overdue adjustment in the country's foreign policy priorities, a recognition that the Cold War had ended and that Europe and Japan had long put their competitive interests first. To Clinton's critics, it was low diplomacy, a perversion of America's global role.

As Clinton leaves office, this argument over where America's diplomatic priorities should lie seems quaint and hopelessly out-of-date. Eight years of growing economic interdependence around the world have all but ended the debate. Moreover, the political and economic dynamics of America's world role have completely reversed. Today there is no question the American economy reigns supreme—at least for the moment. Japan has been flat on its back for so long that few in the White House even remember when they were consumed with opening Japan's markets for American cars, apples, and cell phones. At the same time, the concept of how economic forces shape foreign policy and vice versa has become infinitely more complex. If most of the first Clinton term was all about boosting American exports, the past five years have been about stabilizing the rest of the globe, from

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Mexico to Asia to South America. The new administration comes to power with the far greater challenge of preserving America's place atop the world economy while defusing enormous resentments about U.S. economic, cultural, and military might. Washington must convince other nations—both poor and rich—that it is shaping a world economic system for their benefit as well as its own.

This task would be a nearly impossible sales job for any country, much less one that most of the globe perceives as an arrogant, self-interested "hyperpower" determined to preserve its lead. The new president's challenge is made even more difficult by the fact that the Clinton administration's efforts to reshape the global economy in America's image hit a brick wall in Seattle late in 1999—and this campaign has never gotten back on its feet. It falls to the new president to pick up the pieces and convince the rest of the world that the United States has a vision far broader than simply using its diplomatic power to enhance the profits of American firms.

The popular image of the Seattle protests, now emblazoned in the American consciousness, was formed from televised scenes of a few hundred anarchists heaving bricks through storefronts under a cloud of smoke and tear gas. That mess was cleaned up months ago. But the real Seattle rebellion, which has yet to be cleaned up, occurred in the hotel rooms and conference centers above the street chaos. It did not make for vivid television, so it got a lot less attention. For the first time, the developing nations—with help from some wealthy countries that saw an opportunity to protect themselves—resisted what they view as a relentless American onslaught to reshape the world economy on Washington's terms.

Clinton was caught oddly unprepared for this confrontation. The man who has done more than any other politician in memory to define the choices for countries facing globalization seemed deaf to the backlash. His words at Seattle confirmed the fears of other nations: America actually had a hidden agenda to impose labor and environmental standards on the rest of the world, undercutting the few competitive advantages of the world's poorest nations.

So these countries threw on the brakes. It was a remarkable rebellion against American primacy, an assertion that growing American power would meet growing international resistance. Youssef Boutros-Ghali,

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Egypt's savvy trade minister, seemed to speak for much of the world when he asked, "Why, all of a sudden, when Third-World labor has proved to be competitive, do industrial countries start feeling concerned about our workers?" No one in the Clinton administration offered a very convincing response.

A YEAR OF LIVING DANGEROUSLY

ONCE the presidential election campaign began, it became clear that Vice President Al Gore had no interest in restarting the Seattle talks—or in taking any other trade initiatives. His union supporters were already enraged at the White House for Clinton's support of the North American Free Trade Agreement in 1993. After they marched against the World Trade Organization (WTO) in Seattle, they set defeat of the China trade bill as their next objective. They failed in that round, but Gore paid a price. He lost critical union support to Green Party candidate Ralph Nader, who had spurred many of the Seattle protests and claimed that Gore and Clinton had sold out to global corporations. Had Nader not been a factor, Gore would have won the presidency quite handily.

Partly because of the campaign, one of the signature accomplishments of Clinton's second term—the use of economic relationships for much broader diplomatic purposes—slowed dramatically last year. But there were some accomplishments. The White House managed to secure $435 million for debt relief to highly indebted nations, and Congress passed both the Africa trade bill and the China trade bill. The president's remarkable trip to Vietnam and the warmth of the welcome in Hanoi showed how the lure of economic engagement can be put to far broader diplomatic uses. Clinton capitalized on the opportunity to make his now-familiar argument that investment and prosperity would come to Vietnam only if its authoritarian rulers loosened their hold on both the economy and society. This was economic diplomacy at its best.

But as Clinton also discovered on his trip, the just-completed trade accord with Vietnam sharpened that country's internal struggles over the pace of reform and openness—just as the China trade bill divided the leadership in Beijing. Conservative leaders in both countries see

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those agreements as the economic incarnations of the Trojan horse, in this case sent by the United States to undermine their authoritarian governments. They are not entirely wrong.

Clinton said explicitly during the debate over the China trade bill that freer trade would over time weaken the authority of the Communist Party in Beijing. In Vietnam, he called the new trade accord a "declaration of interdependence." Hanoi's pragmatists had no problem with that phrase; they had learned a bitter lesson over the preceding five years, when they slowed economic reforms and then watched foreign investors flee and the economy suffer. But the leadership split over global economic engagement became evident as soon as Clinton went to visit Le Kha Phieu, the Communist Party chief who has undercut many of those market-oriented reforms. "We have seen the collapse of the U.S.S.R.," Phieu said, and yet "we are still on our feet, we have reaffirmed socialism." He described how Vietnam was now self-sufficient in producing rice—and then equated U.S. trade policy today with U.S. imperialism during the Vietnam War.

Le Kha Phieu is not likely to win this fight over the long term. Without Cold War patrons like the Soviet Union, the country's economic survival depends on attracting outside investment. But the encounter demonstrated how America's decade of economic diplomacy has bred both huge opportunities and enormous resentments. The new president will have to make some fundamental choices during his first few months in office. Will he continue on the path that Clinton set out or retreat from the effort to put trade at the center of America's foreign policy agenda? Will he use America's commercial relationships and the WTO to force nations to protect their workers, clean up their toxic waste dumps, and ease up on their dissidents? Can America see its way clear to a grand bargain that could fling open its doors to goods from the poorest nations—the half of the world that lives on less than $2 a day—in return for some of the long-term changes that America seeks?

SEATTLE'S BITTER FRUITS

IN RETROSPECT, it is clear that the Seattle fiasco was a long time in the brewing. For years the world's developing nations were never taken seriously in global trade negotiations. Their economies were

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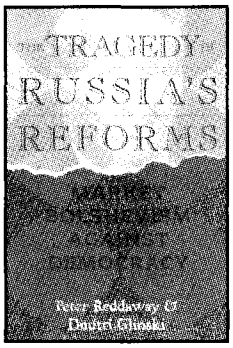

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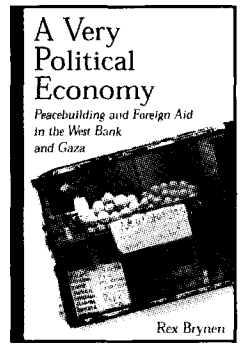

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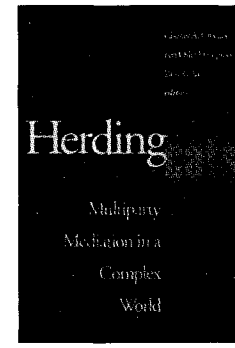

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CONSTRUCTIVE TRADE POLICY ADVICE FOR THE NEW U.S. ADMINISTRATION

Prospects for Western Hemisphere Free Trade

Jeffrey J. Schott

Negotiations on a Free Trade Area of the Americas (FTAA) were officially launched at the Santiago Summit in April 1998. This study examines the prospects for the FTAA in light of recent ecomic and political turmoil in Latin America and the continuing impasse over US "fast track" negotiating authority. Schott examines progress to date in the trade talks and challenges facing the Quebec Summit in April 2001. It includes an assessment of the "readiness" of countries to participate in a broad hemisphere-wide free trade zone, featuring updated "readiness indicators" originally developed by Hufbauer and Schott in their 1994 study, *Western Hemisphere Economic Integration.*

March 2001. 80 pages. ISBN: paper 0-88132-275-X. $15.95.

The New Politics of American Trade: Trade, Labor, and the Environment

I. M. Destler and Peter J. Balint

The fight over NAFTA brought environmentalists into the trade debate and reinvigorated labor's commitment to trade activism. The resulting conflict has fractured the long-standing, bipartisan, pro-trade coalition in Congress and undercut US leadership in liberalizing global trade. This recent study reexamines the trade-political landscape, showing how trade advocates and labor and environmental skeptics differ significantly in their substantive views and their political and organizational cultures. The authors demonstrate how this new challenge differs from that of traditional trade protectionism, likening it instead to the debate a century ago over whether and how to regulate American capitalism for social purposes. The analysis leads to a series of recommendations aimed at constructive compromise and a new political foundation for US trade policy leadership.

October 1999. 100 pages. ISBN: paper 0-88132-269-5. $15.95.

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too small, and there were too many of them. Instead, the big trade accords in the 1990s were negotiated among the United States, Japan, Canada, and Europe. These countries set the agendas and precooked the results before global negotiations started up. They could afford to do so because the rest of the world desperately needed access to their markets. But the WTO's creation changed the balance of power. Now every economy has an equal vote, at least on paper. It is like the U.N. General Assembly—without a Security Council of great powers. Disenfranchised nations suddenly have the ability to upset the agenda of the large powers. At Seattle they used that power for the first time.

The drama played out as groups of countries met to sort out which issues would be negotiated in the next round of global trade talks. It was a confused scene from the start. Europe and Japan were suffering from market-opening fatigue; a decade of lowering import barriers was about as much as Japanese and French farmers and other strong interest groups could take. They insisted that their huge, trade-distorting agricultural subsidies had to be kept off the table. And even though U.S. industries lacked a unified agenda, they unequivocally rejected negotiations that might limit Washington's powers to prevent the "dumping" of sensitive goods, such as steel, in America at below-market prices. Disputes also emerged over American efforts to expand the marketing of genetically modified agricultural products.

The infighting among the large powers made it all the easier for the developing nations to thwart any step toward establishing global labor and environmental standards. The negotiations quickly turned ugly. During the talks, a senior American official called a reporter—who was down in the streets watching environmentalists in turtle suits walking arm-in-arm with the Teamsters—to describe the scene in the "green room" where the talks were taking place. "The Pakistanis just told us, 'We will blow up the negotiations,' and the Indians, who are usually talking about blowing up the Pakistanis, say they are going to help," the official said. Also willing to help were a host of other developing nations, unified by a sense of grievance that the global trading system already put them at a disadvantage. At a time when America and other major economies were insisting on more market openings and faster economic reforms, the developing countries desperately wanted to slow the pace. A few, in fact, wanted to leap off the train.

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The United States insisted that it sought only a "study group" within the WTO to examine the issues of labor and environmental standards. But everyone at the chaotic meeting knew what that meant. The "study group" would inevitably suggest that the WTO be given powers to impose trade sanctions against countries that pay their sweatshop workers too little or tolerate factories that spew forth toxic pollutants. No doubt with one eye to the approaching presidential election, Clinton reaffirmed that fear when he told a Seattle newspaper that the group "should develop these core labor standards, and then they ought to be a part of every trade agreement," enforceable by trade sanctions.

Most Americans who heard Clinton that day probably felt that his long-term goal sounded reasonable. After all, who is in favor of exploiting workers and ruining the environment? But in the rest of the world, his comments had the ring of a new era of American-led economic imperialism. An organization dominated by Western powers, run by Western rules, and based in Geneva would ultimately gain the power to determine how much Nigerian textile workers had to be paid or what Bangladesh had to spend on toxic-waste treatment.

Such issues are, in the end, questions of sovereignty. No country is happy with a WTO that reaches far inside national borders, orders changes in that country's laws, or authorizes trade sanctions against nations that ignore its rulings. But in fact the system has worked relatively well so far. In most of the handful of cases that the United States has lost before the WTO, the Clinton administration has quietly changed the offending regulations. When a panel of judges ruled that American environmental rules discriminated against imported gasoline, the rules were altered. And when another panel of judges found that tax breaks for offshore subsidiaries of American corporations amounted to an illegal subsidy, the White House persuaded Congress to rewrite the offending passage of the tax code (even though the result was still not to Europe's liking). In short, Washington seems willing to heed the rulings of a panel of non-American judges as long as the political stakes are sufficiently low.

With some notable exceptions, other nations have done the same. Of course, the system is still fragile, and no one yet knows what will happen when a major WTO decision sends workers or farmers into the

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streets. But the world experimented with the alternative—a trade organization with no real powers of enforcement—for 40 years, and the system simply did not work.

The challenges facing the new president are twofold. At home, he must convince Congress and the public that a strong WTO ultimately benefits more American workers and industries than it hurts. That has been a relatively easy case to make in these prosperous times. But it will become much harder once the economy slows and pressure builds for the government to protect American jobs by limiting cheap imports. Then the WTO may be cast as a job-destroyer, issuing rulings that make it harder and harder for Congress to protect workers against "unfair" international competition. "We've had it easy," one of Clinton's economic advisers said recently. "The next guy won't."

At the same time, the next president must find a way to convince the rest of the world that the WTO and other international financial institutions such as the International Monetary Fund are not simply tools of the United States. Since the Asian financial crisis and the Seattle debacle, it is accepted wisdom around the world that both institutions are U.S.-dominated, and that Washington calls the tune so that the rules of world trade benefit the most competitive economy on earth. Whether the complaints are valid or just stirred by politicians looking for a convenient foreign scapegoat, the political backlash is real and growing.

Take the recent Asia-Pacific Economic Cooperation group summit in Brunei. In the early 1990s, APEC summits were dedicated to speeding the opening of markets, and in theory that is still their mission. But the political dynamic has changed since the Asian financial crisis. Leaders now spend more time listening to the complaints of Malaysia's prime minister, Mahathir bin Mohamad, and others who argue for restrictions on global capital flows. Mahathir is a long, long way from winning his case before an international audience. But at the Brunei meeting, it was clear that weak leaders around Asia, from Japan to Indonesia to the Philippines, have little interest in triggering further upheaval by opening markets while they are desperately trying to forestall mass layoffs.

The Asian leaders concluded the Brunei summit by vaguely endorsing new global trade negotiations in 2001. But they offered no

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suggestions about how to resolve the issues that blew up in Seattle. And their declaration was made without any force. As soon as it passed, smaller countries began complaining about the pernicious effects of corporate mergers on their economies, reiterating their fears that Wall Street firms would exploit market openings to take over their domestic financial systems. Those concerns may be exaggerated, and the conspiracy theories are likely overdrawn. But in the politics of globalization, perception is political reality. The new president ignores this reality at his peril.

A GRAND BARGAIN

IF EVER there was a moment for a grand bargain between rich and poor, now is the time. The broad outlines of such a deal are clear. The world's poorest nations need hard evidence that they will benefit from a global economy rather than become its first victims. For their part, rich nations need allies in building a trading system that relies on the rule of law, protects intellectual property, and creates a set of minimum global standards on protecting workers and the environment. But reaching the bargain will require political flexibility on all sides—exactly what has been missing in the trade debates around the world.

As a first step, the United States should fully open its markets for goods produced by the world's poorest nations, particularly those where workers live on $2 a day or less and where aid programs are making little progress in raising living standards. Those countries chiefly export textiles and apparel and basic agricultural products such as sugar. They account for a minuscule fraction of the $1.2 trillion in goods and services that the United States imports annually. Visitors to Wal-Mart may be surprised to discover that the United States still limits any imports; it seems as if everything on the shelves is from China. But substantial barriers remain. When Congress passed the Africa trade bill last year, it kept in place significant restrictions on textile imports to protect a dwindling population of American workers. A well-financed lobby has spent years protecting restrictions on sugar imports that keep sugar prices artificially high.

Eliminating those barriers will trigger the kinds of protectionist fights that have reverberated on Capital Hill for 200 years. There will

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be charges that Washington is selling out American textile workers in the Carolinas and sugar refiners in Florida. But it no longer makes economic sense for American workers to produce the cheapest textiles, just as it no longer makes sense for them to produce wooden washboards or the simplest handheld calculators. Cutting all barriers to imports would spur these industries to move up-market, just as the import of foreign-made memory chips in the 1980s forced American semiconductor makers to focus on the high-end microprocessors that ultimately fed the productivity boom of the 1990s.

Opening America's markets is not the only concession Washington should make. Throughout the Seattle talks, the Clinton administration *refused to allow U.S. antidumping laws to become a subject of international negotiation.* Such laws are designed to prevent foreign countries from flooding the American market with goods that are priced sharply below the fair market price or the cost of production. But the application of these laws has often been arbitrary, and the world sees them as disguised protectionism. In Seattle, the Clinton administration contended that the rest of the world had to discuss common labor and environmental standards—but refused to allow an international discussion of common standards for dumping.

America should fully open its markets to goods produced by the world's poorest nations.

"It sounded greedy, and it fueled the objections to America's role," conceded one senior official in the Clinton administration. But the White House had little room to operate. Just prior to the Seattle meeting, more than 300 members of Congress wrote the president a letter warning that they would work to defeat any deal that threatened America's ability to apply its dumping laws unilaterally. Gore did not want to cross the labor unions or steel makers who had just pressed to use the dumping laws to stop a surge of foreign steel imports. Meanwhile, the WTO has ruled that the United States violated global trade rules when it applied those dumping laws to slow steel exports from South Korea. But other countries, starting with Mexico, are copying the American strategy of using dumping laws, often without American-style legal processes. Nations will increasingly use those laws to block American goods unless international standards are set.

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For its part, the United States should insist on several concessions from the developing world. First, it should secure an agreement to enforce intellectual property and copyright protections, particularly for content on the Internet. That would cost developing nations almost nothing today and set a precedent that would allow the world's most prolific content provider, the United States, to protect its economy. Second, Washington should insist on the beginnings of a discussion about minimum labor and environmental protections. Democrats and Republicans are still wrapped up in a circular (and often pointless) argument about whether such "social issues" should be part of global trade agreements—and therefore enforceable through the WTO—or separately dealt with by the relatively toothless International Labor Organization. But the message to the developing world should be simple: Listen to the market. Consumers are increasingly insisting that products carry certifications about manufacturing conditions. For years, tuna cans have carried messages guaranteeing that the fish were caught in dolphin-safe nets—because environmental and consumer activists insisted on it, and Starkist heard them.

Meanwhile, Nike, Reebok, and others have joined the Fair Labor Association, which inspects hundreds of factories every year for signs that child labor is being used or that workers are in the factory more than 60 hours a week. American labor unions complain that the monitoring is spotty, and that the Fair Labor Association makes no effort to determine whether workers are making a living wage. All that is true. But the inspections make developing nations worry about labor standards immediately instead of waiting ten years for the completion of trade negotiations. And the message is clear: Comply with the "voluntary" standards or forget about selling your products in the world's largest market.

Over time, the voluntary standards are bound to evolve into national and international rules. But it will be a long, painful, and sometimes violent process. It was the Supreme Court of India, not the WTO, that ordered the Delhi state-level government to clean up or close 90,000 small factories that spew untreated waste into the Yamuna River. The result was several days of violent demonstrations led by workers who feared their jobs were at stake. Those were, in essence, the anti-Seattle protests against labor and environmental

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standards. The reaction would no doubt have been even more intense had the court order come from foreign judges instead of Indian ones.

The Indian experience should be a lesson for Congress as well. It is a warning to Democrats that writing labor and environmental standards into trade agreements is complicated business. Those kind of standards are still politically impossible for India and nations like it. The trick is to encourage India as it promotes its own internal regulations without provoking a backlash against foreign intervention.

That lesson also holds for Republicans, who have so far opposed labor and environmental rules as "distortions" of free trade. George W. Bush did nothing during the campaign to promote a rethinking of that position. But the reality of the global market is clear. It is no longer possible to think about products without considering how they are made, just as it is no longer possible to think about governments without considering how they rule over their land and their people. That is why a global grand bargain is needed.

Of course, no such bargain is a panacea. American hegemony will engender resentment around the world no matter what trade deals are struck, how much debt is forgiven, or how many reassuring statements the White House issues. Nations look out for their economic interests first and always will. But the political task of the next decade is to define those interests as broadly as possible. The global economic order will not work for the United States, Europe, and Japan unless it also works for India, Brazil, and South Africa. A system that seems rigged to aid the wealthiest and most competitive countries will be undermined by the poorest and least competitive. Selling that thought to Congress and to voters will rank among the new president's most difficult tasks.

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The Nightmare of Bioterrorism

Laurie Garrett

TOOLS IN HAND

As the twenty-first century begins, the following nations possess biological weapons: Iraq, Iran, Syria, Libya, China, North Korea, Russia, Israel, Taiwan, and possibly Sudan, India, Pakistan, and Kazakhstan. The list cuts across lines of ideology, politics, and geography. In addition, according to intelligence sources in Europe and the United States, militant political groups across the globe are now developing or seeking to purchase biological weapons for terrorist use.

Meanwhile, the sophistication of biological weaponry has improved by leaps and bounds. Until 1985, all of the world's biological-weapons makers were stuck with the same list of pathogens and toxins that could kill thousands of enemies and be delivered with missiles or large-scale aerosol systems. Each nation knew the list and stocked antidotes and vaccines. It was a standoff.

But biology in the last decade has been what physics was in the 1940s and 1950s: a field of exponential discovery. What seemed impossible in 1980 was accomplished by 1990 and, by 2000, had become ho-hum fodder for high school biology classes. By the late 1990s, a massive pool of bioengineers, equipped with genetic blueprints to guide their efforts, had emerged. Determining the genetic sequence of a virus, such as Ebola, was no longer much of a feat. In 1998, scientists at the

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Frederick Cancer Research Center in Maryland determined, at the genetic level, exactly how anthrax kills human cells.

In response to such advances, Western militaries hardened their defenses against biological warfare as they vaccinated troops, stockpiled antitoxins, stored appropriate antibiotics, purchased protective suits and masks, practiced war-game drills involving biological weapons, and supported research on potential microbe-detecting devices. But no one had a master plan for dealing with the collateral impact of biological weapons on civilians located around the combat zone—or the deliberate impact of bioterrorist damage inflicted on an unsuspecting community. Were a terrorist to disperse the smallpox virus, for example, populations that were once universally vaccinated would now be horribly vulnerable. Today the U.S. government stows only about 15.4 million doses of the smallpox vaccine—enough for less than seven percent of the American population. The World Health Organization (WHO) keeps another 500,000 doses in the Netherlands, and other national stockpiles total about 60 million more doses of varying quality and potency. If the smallpox virus were released today, the majority of the world's population would be defenseless, and given the virus' 30 percent kill rate, nearly two billion people could die.

The picture worsened in 1999, when scientists discovered that the U.S. samples of the smallpox vaccine had severely deteriorated. Originally made in the 1970s by the Wyeth pharmaceutical company, the samples were stored at the Centers for Disease Control and Prevention (CDC) in Atlanta in the form of freeze-dried crystals parceled out in 100-dose quantities inside vacuum-sealed glass tubes. The tubes were further sealed with rubber stoppers secured by metal clamps. To their dismay, CDC investigators discovered condensation in many of the glass tubes, indicating that the rubber stoppers had decayed and vacuum pressure had been lost. Such vaccine supplies can no longer be considered safe for human use. Although the rest of the world's vaccine reserves have not undergone similar scrutiny, experts do not have much confidence in those either. Furthermore, the world's supplies of bifurcated needles—uniquely designed for scratch-administering the smallpox vaccine on human skin—have been depleted, and companies are no longer interested in manufacturing such specialized devices.

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The world is thus completely vulnerable to a smallpox attack. The last time a mass emergency vaccination took place in the United States was 1947, when a traveler from Mexico spread smallpox to New York City. Vaccines were then readily available, and 6.35 million New Yorkers were immunized in less than four weeks. In 1961, a similar vaccination campaign was administered following a smallpox outbreak in England: 5.5 million people were immunized in a month's time. A decade later, smallpox cases in Yugoslavia prompted the rapid vaccination of 20 million people in that country. Were a smallpox crisis to emerge today, none of these efforts could be repeated.

LETHAL LAG TIME

EVEN IF large stockpiles of the smallpox vaccine could be collected immediately, they would be of limited value for two reasons: only several days after infection would individuals develop recognizable symptoms, by which time thousands—even millions—would have been exposed; and only several days or weeks after vaccination would individuals develop sufficient antibodies to stave off infection.

For other diseases preventable by vaccine, such as anthrax, the lag time between inoculation and the development of powerful antibodies could be far longer—up to a year, even with boosters. And of course, immunization efforts would be useless against vaccine-resistant pathogens, such as those created by Soviet scientists working on anthrax weapons. Furthermore, a determined bioterrorist could simply try a succession of microbial weapons—or use a cocktail at the outset—defying even the best-organized vaccination programs.

The cost of a delayed response to an anthrax attack would be staggering, explains CDC economist Martin Meltzer: in a model city of 100,000 people, the number of "deaths is 5,000 if you start [a vaccination program] on day one [after the attack], versus 35,000 on day six." Cities large and small, then, should start stockpiling relevant antibiotics, vaccines, and general medical supplies.

But even if cities were well equipped for a bioterrorist attack, they would still have a difficult time recognizing that such an attack had occurred. Local authorities "probably aren't going to be able to recognize it has happened ... until the incubation period is over," says

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Clark Staten, executive director of the Emergency Response and Research Institute in Chicago. "And by then, you've got it spread over a wide area. And it may take longer to recognize there's a pattern going on."

Once an outbreak is recognized, an epidemiologist would be dispatched to identify the cause. If the pathogen were fairly common, like *Clostridium botulinum* (the bacterium that causes botulism, a fatal food poisoning), local hospital laboratories could probably identify the culprit first. But if the microbe were rare, like those that cause anthrax, Q fever, Ebola, smallpox, or plague, local facilities would probably be unable to diagnose the problem. With precious time passing, people dying, and disease possibly spreading, local officials would then await word from the diagnostic labs at the CDC. If the suspected pathogen were highly deadly, like the smallpox virus, the analysis would be handled in the CDC's Special Pathogens laboratory, which is normally staffed by fewer than a dozen highly specialized scientists. And during a crisis, it would be difficult to find qualified supplementary staff to scale up operations. During the 1995 Ebola outbreak in Zaire, for example, the lab was staffed by a mere six scientists who toiled around the clock trying to identify the presence of the lethal virus in some 30,000 tissue, blood, plant, insect, and animal samples. In the case of a bioterrorist attack, valuable time—and lives—might be lost during such an arduous process.

In a large urban center, the true costs of a bioterrorist attack might be the consequences of panic, such as a stock market collapse in New York or a commodities market crash in Chicago. At a 1998 Senate hearing on bioterrorism, then Minnesota State Epidemiologist Michael Osterholm warned against underestimating the degree of panic such an event would provoke:

> [A] single case of meningitis in a local high school causes enough fear and panic to bring down a whole community. … Now imagine you're telling people, "This is going to unfold for eight weeks, and I can't tell you if you're going to die." And with every symptom … real or imagined, [people are] going to think, "I've got it! I'm going to die!"

A TELLING SCENARIO

In February 1999, the Johns Hopkins Center for Civilian Defense Studies enacted an elaborate bioterrorist scenario in Crystal City,

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AP/WIDE WORLD PHOTOS

Biowarriors: Emergency workers during an interagency training exercise, New York City, November 1997

Virginia. The details played out over a tense eight-hour period in a room packed with public health, military, and law enforcement personnel. Under the scenario, the vice president of the United States makes a speech at a prestigious university located in a fictional town dubbed Northeast. It's April 1. Eleven days later, a 20-year-old student who attended the vice president's speech shows up in the university hospital's emergency room with flu-like symptoms: high fever, muscle aches, fatigue, headache. She is sent home with aspirin and the old maxim: get some rest and drink plenty of fluids.

Two days later, the young woman returns to the hospital, now fighting for her life. And a janitor who cleaned up after the vice president's speech turns up with the same symptoms. By six o'clock that night, April 13, the hospital's infectious disease expert gingerly voices an outrageous conclusion: both patients have smallpox.

Since smallpox was officially eradicated in 1977, and remaining samples of the virus exist only in Atlanta and Siberia under lock and

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key, there can be but one conclusion: someone has stolen laboratory samples of the virus and deliberately released them in a bioterrorist attack aimed at the vice president of the United States.

Under this scenario, more than 15,000 people die of smallpox worldwide within two months, and epidemics rage out of control in 14 nations. All global supplies of the smallpox vaccine are depleted, and it will take years to manufacture enough to save humanity. The global economy teeters on the brink of collapse as nations close their borders and sink into isolation, barring all Americans from entering their countries. In the city of Northeast, utter chaos reigns, and the National Guard enforces martial law over the city's two million residents. Similarly, government authority either breaks down or reverts to military-style control in cities all over the world as smallpox claims lives and pits terrified citizens against one another. Meanwhile, back in Northeast, a top smallpox expert scribbles projections on the back of an envelope and gently slides it in front of the state governor: within 12 months 80 million people worldwide will be dead.

"We blew it," declared California's top public health scientist, Michael Ascher, commenting on the fictional scenario. "It clearly got out of control. Whatever planning we had ... didn't work. I think this is the harsh reality [of] what would happen."

BUDDING BIOTERRORISTS

ALTHOUGH MOST PEOPLE remain ignorant of the issues raised in that scenario, handfuls of Internet-hooked extremists, right-wing militia members, psychologically imbalanced belligerents, and postmodern fascists are well versed in the fine points of bioterrorism. Recipes for producing botulinum and anthrax are posted on the Web. Books describing biological-warfare assassination techniques are readily available. Some private militia groups train to use biological weapons.

Indeed, law enforcement leaders claim that religious cults and militant political groups are likely to engage in biological terrorism. After all, they argue, the first bioterrorist attack in America was carried out by members of an Oregon-based religious cult led by Bagwan Shree Rajneesh. The cult members, hoping to disrupt an

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upcoming county election, contaminated local salad bars with salmonella, infecting hundreds of Oregonians.

Perhaps it is the tone of some militants' rhetoric that sparks the most concern. In *The Poisoner's Handbook*, for example, Maxwell Hutchkinson suggests that readers poison or kill Internal Revenue Service workers by filling out phony tax-return forms and lacing them with a mixture of ricin (a poisonous protein) and dimethylsulfoxide (DMSO)—a concoction Hutchkinson claims is 100 percent lethal. "The purpose of all this is to disrupt the operations" of the IRS, Hutchkinson writes. "If done on a large enough scale, it would serve two purposes—it would make it more difficult for the IRS to operate efficiently, thus helping tax cheats and tax protesters. It might also awaken the politicians to the depth of resentment felt by the taxpaying public."

Fortunately, Hutchkinson is a lousy chemist: only simple chemicals—not proteins such as ricin—can dissolve in DMSO. But the depth of Hutchkinson's antagonism is unmistakable: he suggests that readers kill Catholics by soaking their rosary beads in *Phytotoxin abrin*, a toxin derived from a rare bean; he writes that botulinum is "fun and easy to make"; and he urges survivalists around the world to hone their skills, readying themselves for biological warfare in the coming Armageddon.

RAISING THE BAR

IN RESPONSE to such threats, Congress has passed a number of laws aimed at making it harder for anyone—domestic or foreign—to attack America with biological weapons. In 1989, Congress passed the Biological Weapons Act, outlawing the possession, trade, sale, or manufacture of a biological substance "for use as a weapon." In 1991, it enacted an embargo, soon enforced against Iraq, barring U.S. companies from trading with countries believed to be developing biological weapons. After the 1995 Oklahoma City bombing, Congress passed the Anti-Terrorism Act of 1996, allowing federal authorities to arrest anyone who even "threatens" to develop or use biological weapons. And the following year, by order of Congress, the CDC named 24 infectious organisms and 12 toxins as "restricted agents," the use or possession of which requires a federal permit. Although these measures now provide legal instruments for federal law enforcement

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officials, it is impossible to judge how effectively they have, or have not, deterred biological terrorism.

The Clinton administration hoped to stave off the worst threats by training the National Guard and local hazardous-material defense teams to rapidly respond to bioterrorist attacks. But the teams, comprising elite local police squads and fire department personnel, handled chemical and biological threats as if they were roughly synonymous—a fatal mistake, according to biologists. Having been trained in classical techniques for limiting the spread of lethal chemicals, the defense teams assumed that a visible source of contamination could be identified, that exposed individuals could be isolated, and that a toxin could be swiftly cleared out of the environment with water or neutralizing chemicals. None of these assumptions holds true for lethal microbes, biologists argue, because their long incubation periods in potentially contagious human beings render it nearly impossible to identify and contain a source. Furthermore, "washing" an area contaminated with pathogens might only spread them.

Congress has sought technological solutions as well, allocating money for Department of Defense (DOD) research on devices that might sniff out bugs and sanitize contaminated areas. First in line was the Navy's TagMan, a sophisticated gene scanner that could, in less than half an hour, determine whether a liquid sample contained any of several known pathogens. But the system had significant limitations: weighing 300 pounds, it was hardly portable. And it could not detect pathogens of high "biohazard levels"—precisely the most worrisome microbes. Most significant, the device could not analyze air samples.

In 1998, Congress also gave the DOD's Defense Advanced Research Projects Agency (DARPA) $2 billion to sponsor wild and crazy science projects—ideas so far-out that standard civilian funding sources would not consider them. These projects included $61.6 million of bioweapons defense efforts, the foremost of which was the development of a fast, cheap, safe, and portable way to sample air for the presence of nasty pathogens. Most of the research focused on unique genetic attributes of bacteria and viruses.

One project involved trying to grow human nerve cells on microscopic chips that would change color or light up if they detected a neurotoxin, such as botulinum. Several laboratories—notably the Argonne

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National Laboratory in Chicago—tried to develop chips lined with thousands of pieces of bacterial DNA to serve as probes. Argonne's goal was to build a bacteria detector small enough to be handheld, akin to a police radar gun. But research director Eli Huberman said such a device "is years away from mass production or for widespread use." Furthermore, neither Argonne nor any other research group envisioned sampling the air for viruses. Even DARPA's wild thinkers could not imagine how that could be done.

Even the simplest technological defense against biological weapons has proven to be too much for DOD contractors. In the spring of 2000, DOD officials revealed that the protective suits U.S. troops had relied on during the Persian Gulf War (and that still form the basis of soldiers' defense against deadly microbes) were defective. At least five percent of the 900,000 suits the DOD had purchased during the 1990s were useless, and the reliability of the entire inventory was suspect.

It seems unlikely, then, that a technological quick fix will soon be found. The three immediate American responses to bioterrorism—military defense, hazardous-material defense teams, and high-technology sensors—appear to be seriously flawed.

WHO'S IN CHARGE?

CONSIDER THIS hypothetical scenario: the Red Army terrorist group successfully releases drug-resistant anthrax spores in the Bourse station of the Paris Metro at 8:00 AM on a warm Wednesday in June. What would be the role of the French military, Sureté (the French intelligence service), the Paris police, or any number of high-tech sensory devices? None.

The most important responders would not be the military or law enforcement officials. They would be the doctors, epidemiologists, ambulance drivers, nurses, and bureaucrats of the Paris public health system. It is they who would note—days after the actual attack—that large numbers of Parisians appeared to be ill, suffering similar symptoms. With further questioning they would perhaps realize that all the ailing individuals routinely took the same Metro train or stopped at the same station. Whether or not anyone would ever discover that terrorists had sprayed a lethal biological mist in the Bourse Metro station, it

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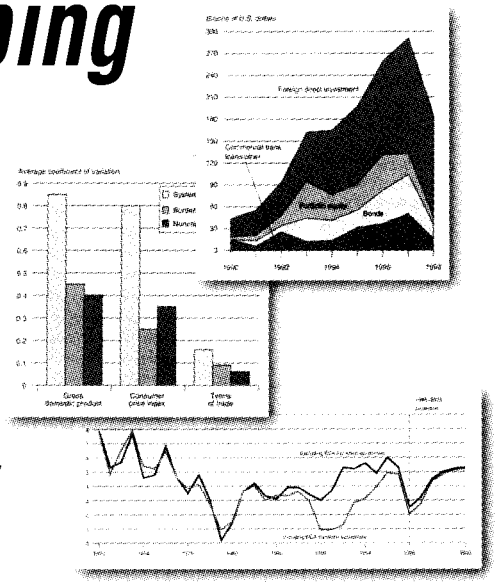

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would be the public health workers who would track down and treat the patients, dispense appropriate drugs, determine whether the outbreak was spreading from the Bourse source, and analyze the microorganism for any special attributes.

Yet military-like responses have dominated Western government thinking, sparking recent outcries among defenders of civil liberties. During role-playing episodes in 1998–99, the DOD claimed the right to seize command during a bioterrorist attack—a constitutionally shaky move. And on February 1, 1999, Defense Secretary William Cohen announced the creation of a special command within the DOD designed to coordinate responses to domestic bioterrorist attacks. Cohen's plans echoed the popular 1995 movie *Outbreak*, in which the U.S. Army declared martial law and took full control of an American city to limit the spread of an airborne form of the Ebola virus. Civil-liberties advocates responded to Cohen's announcement with indignation: Such a clear violation of the Constitution might be OK for Hollywood, they cried, but not for the real world.

President Clinton had tried to obviate such worries in his January 22, 1998, speech to the National Academy of Sciences. "We will be aggressive," he said, referring to his administration's response to the bioterrorist threat. "At the same time ... we will remain committed to uphold privacy rights and other constitutional protections, as well as the proprietary rights of American businesses. It is essential that we do not undermine liberty in the name of liberty." That day Clinton requested congressional approval of a $10 billion antiterrorism program, including $86 million for improving public health surveillance, $43 million for research on vaccines for anthrax, smallpox, and other potential bioweapons agents, and $300 million for stockpiles of essential drugs and vaccines. The proposed expenditures doubled the previous year's bioterrorism budget.

The job of building the nation's drug and vaccine warehouse fell to Margaret Hamburg, assistant secretary for the U.S. Department of Health and Human Services. She had to race to catch up with the DOD and the FBI. Public health was a late entrant to the bioterrorism field, she said, and significant dangers lurked in the developing antiterrorist infrastructure. Beyond the civil liberties issues that had already been voiced, Hamburg warned, "we don't want public health to be

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identified with the CIA and FBI activities. ... We in public health need to have public trust and confidence."

Already, local public health departments were having a hard time responding to fake bioterrorist attacks. Claiming to have dropped off or shipped an anthrax-containing device suddenly became chic at the turn of the millennium. Terrorism expert Jessica Stern counted 47 such hoaxes in the United States since 1992. In all 47 cases, local fire and police authorities reacted seriously, decontaminating thousands of people and appearing on the scenes dressed in full-body protection suits. And Stern's list was by no means comprehensive.

Secretary of the Navy Richard Danzig warned that panic, in and of itself, is becoming the new terrorist tool. "Only through a new union of our public health, police, and military resources," he said, "can we hope to deal with this dangerous threat." But Hamburg worried that the police and FBI responses actually encourage such false alarms. It seems that bioterrorist hoaxes attract the type of individuals who enjoy watching fire departments douse buildings they have set afire. "When an envelope comes in saying 'This is anthrax,' we don't need the fire department in full protective gear on site," Hamburg insists. "What we need is to discreetly move the envelope to a public health laboratory for proper analysis. Mass decontamination and quarantine only [add] fuel to the fire of the hoax perpetrators, and it's totally unnecessary in terms of public health."

DIFFERENT DRUMMERS

IT IS OBVIOUS that public health, law enforcement, and defense officials have very different priorities in the event of a bioterrorist attack. For public health workers, the paramount concerns are limiting the spread of infection, identifying the cause of the disease, and if possible, treating and vaccinating the public. Law enforcement agents, however, are in the business of stopping and solving crimes—and the scene of any bioterrorist incident is, first and foremost, a source of evidence. Managing a response to an outbreak thus poses a conflict of interest, since the police and the FBI would, by mandate, focus on detaining witnesses and obtaining evidence, even if those efforts ran counter to public health needs.

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Even within the military itself, priorities blur when it comes to bioterrorism. The DOD's primary mission is to protect the United States against military foes. A secondary concern is to defend the health of American troops. How those priorities square with intervening—and indeed, commanding—responses to domestic bioterrorist attacks is not at all clear.

What is even less clear is how a public health system can respond to bioterrorism without destroying the basis of its credibility. When a public health system needs to intrude on individuals' lives to protect the larger community, it does so in limited ways and usually under the hard-and-fast promise of confidentiality. During an epidemic, for example, individuals may be asked to submit to blood tests and medical exams, and their medical charts may be scrutinized—but all under the promise of confidentiality. In the long term, a public health system protects the community by monitoring disease trends, which requires tracking who has which diseases. Again, this information is generally stored under confidential or anonymous terms. On a global level, the WHO and a variety of other groups keep count of nations' diseases, monitoring for the emergence of new epidemics. After the 1995 Ebola outbreak in Zaire, for example, the WHO sought to create a more rigorous surveillance system and pushed countries to be more open about epidemics in their populations.

The fear of bioterrorism threatens the vital social contract between a public health system and the people it serves.

All of these functions, in all tiers of public health systems, require the maintenance of a crucial social contract: the individual or country agrees to openly disclose information for the sake of the larger community's health. In return, public health authorities promise never to abuse this trust, maintaining discretion and protecting patient privacy.

But the fear of bioterrorism threatens to destroy that vital social contract, which is not shared by law enforcement and defense officials. The closer a public health system draws to the other two systems, the greater the danger that it will lose credibility in the eyes of the public. Indeed, suspicions already run high in many American minority communities, prompting widespread belief that such microbes

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as the AIDS virus were created by the U.S. Public Health Service, the National Institutes of Health, or the CIA with the intention of obliterating key minority populations.

Some public health advocates are convinced that no marriage between their profession and law enforcement could ever work and have denounced all efforts to heighten concerns about bioterrorism. One prestigious group argues that "bioterrorist initiative programs are strongly reminiscent of the civil defense programs promoted by the U.S. government during the Cold War … [that fostered] the delusion that nuclear war was survivable."

For many older public health leaders, the bioterrorism scare evokes nasty memories of Cold War cover-ups and censorship. By adopting the bioterrorism issue, they warn, public health officials are buying into a similar framework of paranoid thinking. Indeed, in 1999, biologists working in national laboratories found, for the first time, their work facing censorship in the wake of allegations of Chinese espionage at the Los Alamos National Laboratory. The Department of Energy (DOE), which oversees the national labs, clamped down so hard in 1999 that the National Academy of Sciences warned that the future of U.S. scientific enterprise could be imperiled. Although the DOE's primary concern was computer and nuclear secrecy, the threat of bioterrorism prompted the agency to broaden its new security restrictions to embrace basic biology research as well.

Many advocates argue that the public health system's role in the fight against bioterrorism can be comfortable only if it is an equal partner of the law enforcement and defense communities. One of the loudest voices speaking on behalf of public health in this regard is Michael Osterholm. In his new book, *Living Terrors,* Osterholm argues that "the overuse of the term 'weapons of mass destruction' (WMD) has done a great deal to stunt the necessary attention to the looming threat of biological terrorism." The WMD terminology places defense against bioterrorism in the hands of the military and the police, Osterholm insists. And that means, he says, "our priorities are really screwed up."

Osterholm's proposed solutions go to the heart of a larger public health agenda: to enhance the readiness and capacities of local, state, and federal health departments for responding to both natural and

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deliberately created epidemics. After all, Osterholm argues, it is impossible to tell at its outset whether an epidemic is a natural or ghoulishly unnatural event.

The new administration must work out these tensions among public health, law enforcement, and military authorities. The Clinton administration offered a broader definition of national security, bringing emerging infectious diseases and the AIDS pandemic under the security umbrella. That allowed agencies more traditionally concerned with terrorism, such as the National Security Council, the CIA, and the FBI, into the public health arena. A new administration may seek to redefine national security in more classic nation-state terms, or to sharpen the public health focus on diseases that directly affect terrorism and warfare. The future balance of authority and influence in the fight against bioterrorism will undoubtedly hinge on a new administration's larger view of national security.

Public health's role in the bioterrorism issue will also be better defined when its leaders come up with a clear consensus on what exactly they want. The issue is so new to most public health officials and raises so many uncomfortable questions that the profession is currently unable to speak with a clear, united voice. In contrast, the law enforcement and military communities appear comparatively determined and direct in their views of the bioterrorism threat and their desired responses to it.

In a historic speech in Atlanta during the winter of 1998, D. A. Henderson, head of Johns Hopkins University's Working Group on Civilian Biodefense, beckoned public health officials to jump on board a train already in motion, conducted by the law enforcement and defense communities. Less than a year later, public health had boarded the train, but only as a passenger. The train was fueled by an $8.4 billion budget in fiscal year 2000, yet public health was allotted a mere 3.7 percent of those funds, according to a recent study by the Stimson Center in Washington, D.C. With such comparatively paltry funding, it is no wonder that public health found itself sitting at the back of the train, watching the scenery race by as other government players steered the locomotive's course. Unless this changes, the train is going to crash.

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Keeping America's Military Edge

Ashton B. Carter

THE (NOT SO) GREAT DEBATE

LAST FALL'S presidential campaign rarely ventured into discussions of national defense. When it did, these all-too-brief excursions mostly concerned setting priorities among the almost numberless tasks that should be taken up by the world's leading power. That meant answering several questions: Will China and Russia pose future threats, or can they be cooperatively integrated into the international system? Is preparing to fight two major wars in Korea and the Persian Gulf still the appropriate organizing principle for U.S. forces and budgets? When and how should the United States participate in peacekeeping and conflict prevention?

Such debates focused on the ends of U.S. foreign and defense policy. Although important, they left unanswered an equally fundamental question: whether the United States has the means to implement the policies it decides on. And this lapse was unfortunate, for there is mounting evidence that the necessary means may in fact be wanting. The U.S. national security establishment is becoming deficient, not so much in deciding what to do, as in the ability to get it done. As a result, the new president and his administration may well find their ability to translate policy decisions into results sharply limited. Reversing this trend will depend on the management of means.

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At one point, the campaign did touch briefly on means—namely, when the two sides debated the "readiness" of the U.S. military. George W. Bush charged that U.S. forces were not ready for their current missions. Al Gore replied that the Pentagon was spending a larger fraction of its budget on training and exercises—the two factors that contribute most directly to readiness—than ever before. But whatever the merits of their arguments, both sides overlooked a key issue. The "readiness" about which they were arguing was that of today's forces to meet today's threats. A more fruitful debate would have focused on a longer-term version of readiness and a wider view of the defense establishment.

The near-term proficiency of the U.S. military is, in fact, unrivaled. The United States today retains a commanding military edge over all other nations. This advantage is the result not only of large budgets, but also of important managerial and organizational changes made over the years. Conscription was replaced by voluntary service in 1973. Military advice to the president and joint command over military operations were strengthened by the Goldwater-Nichols Defense Reorganization Act of 1986. And then there was the fundamental decision made by Cold War–era Pentagon managers to rely on a distinctive American asset—innovative technology—to overcome the Warsaw Pact's superiority in numbers. This reliance on a technological edge, dubbed the "offset strategy" by former Secretary of Defense William Perry, was essential to ensuring America's overall military edge.

That edge persists today. The long-term readiness of the national security establishment to face tomorrow's threats, however, remains in question. Rather than debate the shape of today's forces, therefore, Bush and Gore could more usefully have proposed the managerial changes necessary to ensure that the U.S. military keeps its advantage years from now in the face of the globalization, commercialization, and information revolutions that are transforming the world. Unless the next president acts to address these changes by transforming the way the U.S. defense establishment does business, the nation's military dominance may, in time, begin to waver.

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TROUBLE IN THE BACK ROOM

ONE NEED NOT look far to find signs that the next president must start paying attention to his role as a manager of means, not just a definer of ends. The fact is that America's combat forces—which, since the end of the Cold War, have won victory in the Persian Gulf, peace in the Balkans, and respect from friend and foe alike—are much better at their jobs than the institutions that support and complement them. The point of the spear may be sharp and hard, but much of the rest of the national security establishment is broken. The underpinnings of quality performance in government functions are eroding. Top-flight people refuse to serve at all levels of government, from high political posts to the civilian and uniformed services, because the conditions of public service are often demeaning and frustrating. Good people already in government are leaving, and those who remain often feel that their potential for creative leadership is stifled. What former Deputy Secretary of Defense John Hamre called the "back room" of defense—systems for auditing and accounting, attracting and rewarding public servants, contracting for weapons and services, controlling exports, and security classification and background checks—all show signs of bureaucratic decline and apply an accumulation of rules rather than logic to their assigned missions. In the past decade, military bases and depots have not been reduced nearly as much as the armed forces themselves, resulting in a bottom-heavy structure with a large "tail-to-tooth" ratio and billions of wasted defense dollars. Department of Defense (DOD) acquisition personnel are still burdened with the Federal Acquisition Regulations, a guide as thick as a big-city telephone book. Forces meant to fight jointly are still equipped, sometimes incompatibly, by the separate services and defense agencies.

Meanwhile, outside the armed forces, the research and industrial base on which America's high-tech edge relies is being transformed by the forces of globalization and commercialization. But the DOD persists in many old habits regarding research and development (R&D) and weapons procurement. As a consequence, the U.S. military is not fully exploiting or even staying abreast of the information revolution. It is scarcely even in the game when it comes to

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biotechnology, which could have an even more profound impact on human conflict than has information technology. As for the defense industry itself, on which the technological edge ultimately depends, it is having a hard time raising capital and is losing many of its talented engineers and managers. Finally, transatlantic defense-industry cooperation, important for efficiency and NATO cohesion, remains an unsolved problem for all allied governments.

President Eisenhower once said that the right system may not guarantee success, but the wrong system guarantees failure. Why, then, does Washington pay so little attention to the organization and management of the national security system? The reasons are several. Most senior officials are appointed for their policy acumen, not their management skills. Most regard their term in office as too short and precarious to spend time making structural improvements that will benefit their successors. Government organization and management—closing unneeded bases, for example—is usually the stuff of small politics, a reminder of former House Speaker Thomas (Tip) O'Neill's maxim that "all politics are local." Overcoming inertia, ingrained habits, and entrenched interests and bureaucracies is sometimes more difficult than winning a spirited national debate on a major policy issue. Reforms of any depth require close cooperation between Congress and the executive branch, which is never easy to achieve.

Despite the difficulties, however, now is the time to heed Eisenhower's maxim. The transition to a new administration provides an opportunity to undertake needed changes in the national security system—an opportunity that comes only every four or eight years. Early in a presidential transition, civilian jobs are not yet filled with officials who, once appointed, might resist change in their functions. The new administration has not yet started making do with the dysfunctions it inherited. Congress and the voters expect new measures. The moment is therefore ripe to address the management problems in defense.

The necessary changes must meet three basic needs. First, the national security establishment is being asked to accomplish new missions, ranging from peacekeeping to dealing with terrorism committed with weapons of mass destruction (WMD). It needs to figure out how to develop an edge in these new areas. Second, where the

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United States already has an edge—in joint operations, high-tech military systems, and quality people in uniform—it must keep it, despite dramatic changes occurring in the market and in technology. Third, in areas where DOD management has long underperformed, such as base closures and reforming the acquisition system, a true "revolution in business affairs" is overdue.

HOMELESS MISSIONS

TODAY, some of the most critical security missions—counterterrorism, combating WMD proliferation, homeland defense (including protection against computer network attacks and biological weapons), information warfare, peacekeeping, civil reconstruction, and conflict prevention (or "preventive defense")—are accomplished in an ad-hoc fashion by unwieldy combinations of departments and agencies designed a half-century ago for a different world. Too many of these missions are institutionally "homeless": nowhere are the authority, resources, and accountability brought together in sharp managerial focus. Although it is widely agreed that the United States needs the means to accomplish these homeless missions (even if debate continues over exactly when and where it should perform them), the U.S. government is not well structured for these jobs.

Many of the homeless missions, although apparently unrelated, have a key element in common: they cut across different cabinet departments and require the coordinated action of several agencies. This is hardly surprising, since the problems they address do not respect neat distinctions between foreign and domestic threats, military and economic remedies, or states of war and states of peace. Such distinctions are outdated and merely reflect what the world was like in the era after World War II, when the American national security establishment was founded. It is due to such distinctions that no one agency is automatically in charge of these missions or responsible for developing and directing the capabilities they require.

One example of a homeless mission is preparing for "catastrophic terrorism"—that is, attacks on the United States not made during a formal war but nonetheless on a warlike scale. These assaults may involve nuclear, chemical, or biological weapons, cyber-attacks on

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critical infrastructures, or assaults on government institutions. Such an incident could simultaneously be described in different ways: as an attack, a crime, or a disaster. This means that the Departments of Defense, Justice, and others, as well as the Federal Emergency Management Agency (FEMA), could all lay claim to being in charge of the federal government's role in prevention and response. The gravity of these threats and the danger that responses might fall through the cracks in Washington's bureaucracies have already led to calls for a new cabinet department of homeland defense, for the appointment of a "catastrophic terrorism czar" in the White House, for turning such missions over to the Pentagon (as was done with air and missile defense), and for legislation to add more members to the National Security Council (NSC).

The Clinton administration wisely avoided embracing any of these suggestions and relied instead on the coordinating power of the NSC. The council duly negotiated a series of presidential directives with the relevant cabinet departments, spelling out who was in charge in various circumstances: the FBI in most domestic cases, for example, and the State Department in most overseas situations. Other agencies, like the CIA and the DOD, were assigned support roles.

Most of the agencies assigned central roles in the NSC policy, however, have neither the capability nor the resources to carry out their jobs, which thus remain unfunded mandates. This means that although policy may be clear and coordinated in these cases, there is no coherent interagency program for actually accomplishing the homeless missions. To properly fight catastrophic terrorism requires a multi-year, multi-agency, presidentially approved and enforced plan to develop the capabilities (such as surveillance and detection, public health, and forensic measures) necessary to protect the country, while avoiding waste and safeguarding civil liberties. Without a proper interagency program, mere coordination will produce a "come as you are" party, where agencies can offer only their current resources. These current capabilities, even taken together, are not adequate for meeting the threat of catastrophic terrorism.

The nub of the problem is not the NSC's membership, but its practices, which are ill-suited to address homeless missions. In the years since the Eisenhower administration, the NSC has become a highly effective

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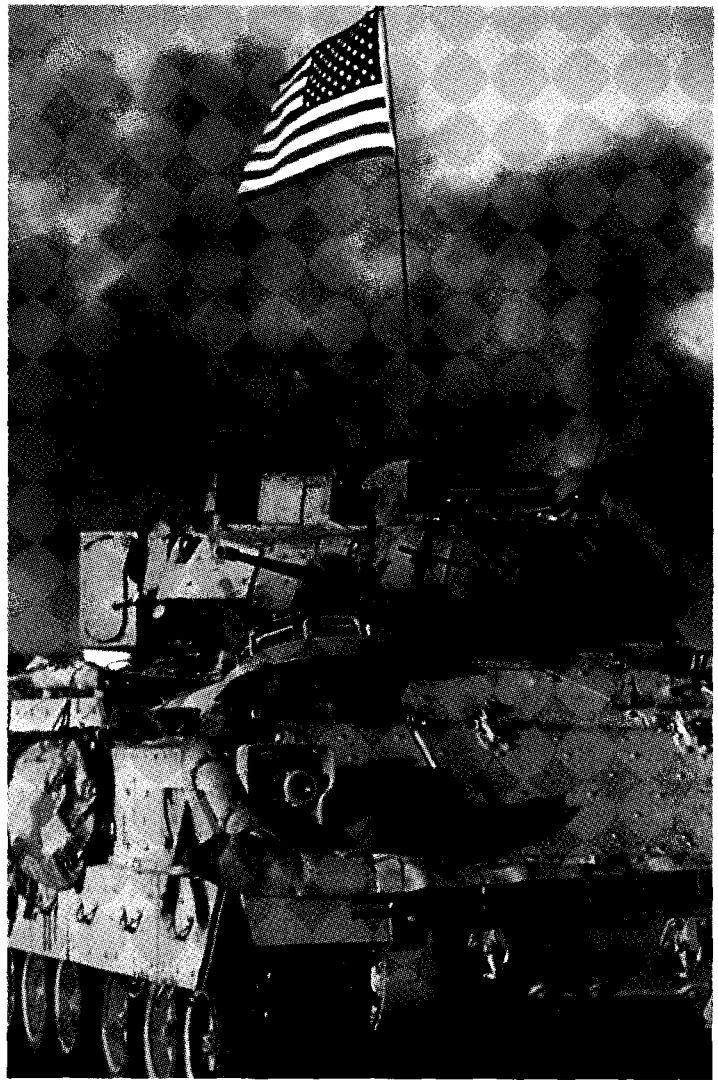

CORBIS-SYGMA

Faded glory? U.S. troops during Operation Desert Storm, Iraq, March 28, 1991

mechanism for coordinating policy—but not actual, working programs. This is evident in the council's staff, who have the highest foreign policy expertise but almost no experience in programming, budgeting, or the management of technical programs or large organizations. Meanwhile, the Office of Management and Budget (OMB), which shares coordinating responsibility with the NSC, has much less clout over the programs of security agencies than it does over domestic agencies.

To address these shortcomings, the new administration should charge the NSC (working with the OMB) to develop multi-year interagency

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budget plans for each of the homeless missions. This task will require staff with program as well as policy expertise—perhaps working for a new deputy national security adviser appointed for this purpose. The new staff would be confined to planning and programming and would not have the kind of operational role that led to the Iran-contra scandal of the Reagan-era NSC. Meanwhile, the active involvement of the vice president in coordinating cabinet members has been helpful in past efforts of this sort and would be valuable here. And the congressional committees and subcommittees overseeing separate agencies should coordinate their responses to the president's budgets for each of the homeless missions.

JOINT AND SEVERAL LIABILITIES

JOINT WAR-FIGHTING, unlike the homeless missions, is a traditional concept and an area where the United States has established an unparalleled edge over other nations. This advantage owes in part to the Goldwater-Nichols Act of 1986, which was intended to ensure that U.S. forces fight together, rather than in separate Army, Navy, and Air Force campaigns. The act gave unified commanders-in-chief (CINCS) clear authority for joint operations. But it assigned the jobs of organizing, training, and equipping the forces to the separate armed forces. So although operations are now "joint," equipment and personnel are still acquired severally.

The Goldwater-Nichols reforms have been a great success by almost any measure. But they did not address the question of how several separate acquisition systems can produce truly joint forces. One way to address that now—an option that should be rejected—would be to create a truly joint acquisition process at the expense of the services' own authority. This move would have the theoretical advantage of giving the power to configure and buy joint forces to their ultimate users—the war-fighting CINCS. However, in practice, this option would weaken the services—the sort of proud, living institutions of which there are far too few in government. Joint acquisition would undermine the services' proven ability to provide the best land, naval, air, and amphibious forces in the world. In addition, transferring responsibility for requirements, budgets, or acquisition to the joint

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CINCs would divert their attention from their principal tasks: namely, to command operations, plan for regional contingencies, and maintain U.S. military relations with friends and allies. The CINCs have no staff specialized in acquisition. Giving them that new responsibility would therefore weaken, not strengthen, the acquisition system.

A second option is to maintain the current arrangement. Indeed, this system may seem the best balance between the demonstrated expertise of the services and the need for jointness. But in fact, maintaining the status quo would result in increasing imbalance, due to the changes being wrought in warfare by information technology. According to the logic of the so-called revolution in military affairs, military capability improves dramatically when battlefield systems of tanks, ships, and airplanes are linked into a "system of systems" through an information network that allows all U.S. forces to fully coordinate their operations and to know the precise location and disposition of enemy and friendly forces. Exploiting the potential of such networked warfare obviously requires compatibility among the several armed services. Even more important, the network that connects them is an inherently joint system that falls under none of their traditional acquisition responsibilities.

It is clear, therefore, that a strengthened mechanism is needed to develop and acquire military systems that are truly joint. A third, middle-ground option offers the best chance for sustaining the expertise of the individual services while giving appropriate voice to joint considerations in acquisitions. Rather than involving all the CINCs in the process, a single CINC—the Joint Forces Command CINC—should be given the power to inject joint thinking into the acquisition process on behalf of the chairman of the Joint Chiefs of Staff and the other CINCs. This is, in fact, the avenue supposedly already being pursued by the DOD. But the Joint Forces Command has not yet been given the tools for the job. To make the process work will require four additional steps. First, the Joint Forces CINC should prepare for the chairman of the Joint Chiefs a broad road map, updated annually, for developing truly joint systems. Next, the Joint Forces Command should be given the personnel and resources necessary to take on its new acquisition responsibilities. These should include some direct authority over budgets for purchasing inherently joint systems (such

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as the battlefield networks described above). The person chosen to head the Joint Forces Command should be a senior officer with experience as a CINC, service chief, or vice chief. Finally, he or she should become a member of the DOD's key decision-making bodies on acquisition matters: the Joint Requirements Oversight Council and the Defense Resources Board.

OFFSET-STRATEGY.COM

THE UNITED STATES' "offset strategy"—the Cold War notion of using superior technology to counter opponents' advantages in numbers, geography, or willingness to risk casualties—has become key to Washington's way of waging war. The fruits of the offset strategy were dramatically demonstrated during Operation Desert Storm—a war no one expected—when reconnaissance satellites, stealth aircraft, precision weapons, and other unique technologies made short work of Iraq's forces, which resembled a miniature Warsaw Pact military. In light of such success, the United States is determined to keep its technological edge and apply it to post–Cold War security missions.

The offset strategy rests on the DOD's ability to draw on a strong technology base and on a defense industry that uses such technology in new defense systems. But current trends in high-tech industry—the hallmarks of the "dot-com" era—are changing the field so fundamentally that once-successful DOD practices can no longer guarantee a future technological edge. Consider the numbers: according to the National Science Foundation, in 1980, the West (as it was then defined) spent a total of about $240 billion (in today's dollars) on scientific research and development. The U.S. DOD contributed about $40 billion, or one-sixth of the total. Last year, by contrast, the corresponding total for R&D spending reached $360 billion. But DOD funding accounted for only one-twelfth of the total—half of its 1980 share.

Meanwhile, the circumstances that the DOD grew accustomed to in the Cold War, when it first formulated the offset strategy, are becoming inverted. During the Cold War, technologies critical for defense originated in a "defense technology base"—that is, in laboratories and companies that were mostly American, and for which the American military was the main customer. These days, militarily critical

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technologies are increasingly developed by global companies for which the U.S. military is a small market. DOD-funded research pioneered the microchip, massive parallel processing, the Internet, software engineering techniques, and other technologies that are now being exploited and further developed by the well-financed private sector. In the past, America's military advantage was conferred by its possession of technology, unique to the defense sector, that the country's opponents could not get. No longer. In the future, the technological edge that the offset strategy requires will be maintained only if the DOD gets much better and faster than its opponents at absorbing commercial technology into defense systems. After all, America's potential enemies will have access to much of the same technology.

Wall Street regards defense firms as part of the "old economy."

Learning to integrate commercial technology faster than potential opponents can will require the Pentagon to increase its R&D spending, as much to keep abreast of developing technology as to make its own contributions. It will also require the DOD to employ experts familiar with commercial technologies and practices—and not just specialized niches, such as stealth technology, that are unique to defense. Washington must also start using commercial buying practices and systems in defense procurement. If the DOD sticks to its idiosyncratic buying methods and cumbersome contracting procedures, it will always remain a generation behind commercial practice.

Above all, maintaining America's technological edge will require a healthy and innovative defense industry. Unfortunately, the industry is heading in just the opposite direction. Defense companies must justify themselves to investors by the same standards of profit and cash flow as commercial firms. But Wall Street regards defense firms as part of the "old economy," and thus market forces are drawing capital away from them. The market capitalization of all the major defense firms put together is today about half that of Wal-Mart's and just a quarter of Microsoft's. The list of U.S. corporations that have left the defense market reads like a *Who's Who* of industrial America: IBM, Texas Instruments, Ford, Chrysler, Westinghouse, and others. Meanwhile, "new economy" companies are wholly absorbed in the

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pursuit of rapidly growing commercial markets and have shown little interest in the sluggish defense market. Finally, the most worrisome trend is the flow of talented people leaving the defense industry for other fields, which reward executives with generous stock options and offer engineers the satisfaction of knowing they are on the cutting edge.

For the DOD to maintain the offset strategy in this climate, it must align its own practices with the market forces acting on both defense companies and on the commercial businesses that generate key technology. Policies should not prop up weak defense companies and accentuate their isolation from the industrial mainstream. Instead, they should work with, not against, market forces. The U.S. government's acquisition and contracting policies should reward the defense industry when it follows sound business practices in pursuit of innovation and efficiency, such as sharing savings from cost-cutting and consolidations, and allowing higher profits when industry delivers value in terms of cost, schedule, and performance. Today's procurement practices usually provide precisely the opposite incentives. Although the Pentagon cannot reverse the 1990s trend that concentrated the industry into a handful of large, purely defense contractors, it can and should encourage second-tier and third-tier companies that serve commercial markets to remain in the defense market. The DOD should also encourage robust transatlantic defense industry links, which will provide classic free-trade efficiencies and reinforce NATO solidarity.

A successful offset strategy cannot be based on a defense industry that is isolated from globalized commerce and innovation—a rust-belt defense industry in a dot-com economy. Although the crisis has not yet reached such proportions, it may well do so unless Washington soon makes substantial changes in its Cold War practices.

PUTTING PEOPLE FIRST

IN ADDITION TO its technological edge, the U.S. military already enjoys an advantage in the quality of its uniformed personnel. Here, too, keeping that edge will require adapting to the new environment—changing labor markets, demographics, and the types of employees needed. America's armed services, for example, traditionally target recruiting at high school graduates who choose not to go on to college.

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But the fraction of people who make such a choice is now shrinking—today it is only one in three. This is forcing military recruiters to draw from a smaller and smaller pool. To change this trend and retain access to high-quality recruits, the Pentagon needs to somehow make military service compatible with college ambitions. The changes needed may be fundamental. For example, the traditional career paths for officers and enlisted troops may be inappropriate when an increasing fraction of both pursue college educations. More paths should be opened for promising enlisted members to become officers, which would increase their opportunities for advancement. The growing number of two-career families also poses challenges to traditional concepts of military life. Meanwhile, the military needs to do a better job competing with today's booming economy for employees trained in information technology.

All these problems are well known to private businesses, which regard keeping personnel policies and costs under thoughtful control to be one of management's most important responsibilities. But military compensation policy is often set in political bidding wars that usually result in across-the-board increases, rather than targeted adjustments that reward individuals for their contributions and that emphasize the DOD's changing personnel needs. Military compensation needs to start being managed as a system, not a political football.

The same thinking should be applied to quality of life for military families. Here the DOD too often thinks in terms of merely increasing the provision of amenities (such as housing or grocery stores). This is an anachronistic vestige of the nineteenth-century military practice of providing everything a garrisoned soldier on the prairie needed. Today, at least in most locations, civilian markets are more than adequate for the needs of military families. Improving troops' quality of life should therefore focus on assisting military families to use the resources that already exist. Often this means simply giving them money to address their own needs, rather than acting as if the government knew what they needed better than they did.

The DOD's civilian personnel system needs even more fundamental reform. Unlike the uniformed system, the civilian system has not had the edge in quality for some time. This system is out of touch with the labor market and the changing needs of the DOD. Worse, it stifles

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professional development and innovation in its workforce. To remedy this, the secretary of defense should request legislative authority to remove the DOD's civilian workforce from the civil service and set up a new system directly responsible to the secretary—as several other agencies have already done. The new system would have more flexible pay and hiring rules, portable pensions, and other provisions that allow people to enter, leave, and reenter government service. The civilian system should tie compensation to performance and attach employees' grades to their persons rather than to the jobs they happen to occupy at the moment. And it should provide for professional training and rotation to other agencies so that employees can get a feel for how similar issues are viewed in other departments. Such a system would be the opposite of the current one in almost every respect, but would vastly improve the quality of the one-third of the Pentagon's workforce that does not wear a uniform.

REVOLTING BUSINESS AFFAIRS

ALTHOUGH the United States has long held a substantial advantage in the core area of military operations, it has long lacked such an edge in the management of support functions. The acquisition system may need to be reformed, but this need is even more urgent in most of the DOD's other business affairs: accounting and auditing, security classification and background checks, export controls administration, utilization of bases and depots, logistics, and a host of other noncore functions. Indeed, former Deputy Secretary of Defense John White declared in 1995 that the DOD's performance in such areas was so far below standard practice in the private sector that a "revolution in business affairs" was needed.

One example of the attempt to achieve this revolution was the DOD's effort to outsource functions that are not inherently governmental in nature and that could be performed more efficiently by the private sector. There is no reason why DOD employees need to carry out nonmilitary tasks such as finance and accounting, teaching trade skills to soldiers, or managing long-distance communications and noncombat logistics. Holding large competitions between governmental and private suppliers of such functions would allow Washington to identify which jobs should be transferred to the private sector.

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Unfortunately, Congress and the OMB have put in place numerous rules and procedures that thwart the competitive process and protect government jobs. These should be overturned. In 1994, Secretary Perry took a simple but far-reaching step in the analogous case of "military specifications"—special DOD requirements imposed on items it buys that are often unnecessary and expensive. Perry decreed that program managers who had previously been required to obtain a waiver to avoid using military specifications would now need a waiver to apply such specifications. The new secretary of defense should, in a similar fashion, turn the presumption against outsourcing on its head by declaring the private sector to be the preferred supplier of noncore goods and services. The secretary should seek legislative authority to loosen the many strictures that currently exist, and should conduct a competitive program to fully realize the available efficiencies.

As the Cold War ended, then Secretary of Defense Dick Cheney, a former member of Congress, realized that it would be much easier to reduce the overall size of the military force than to reduce the number of bases and depots scattered about the country, many of them located in the home districts of influential representatives. Congress had in fact already erected by statute an intimidating gauntlet of studies, findings, public hearings, and other steps the DOD would need to take before closing a base. Cheney nevertheless published a list of unneeded bases and began running that gauntlet. And once Congress realized how much time and energy this process would consume and saw that Cheney was determined to stay the course, it decided to change the rules, allowing Washington to get the job done with less political hazard for all concerned. The so-called Base Realignment and Closure (BRAC) procedure achieved three rounds of closures. But in 1995, Congress accused the Clinton administration of manipulating the BRAC process for partisan advantage and, weary from three rounds, refused to reauthorize the legislation. The previous, cumbersome base closing law took effect again. This standoff has now lasted for five years. Meanwhile, money pours into bases that serve no national security purpose.

The new secretary of defense should take a page from Cheney's playbook. The secretary should publish a new list of unneeded bases and announce the intention to close them under the extant law—

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namely, by the cumbersome procedure. Congress, faced with this unpalatable prospect, will likely back down and reinstate some version of the BRAC process. Billions of dollars will be saved.

STAYING SHARP

THE NEW ADMINISTRATION and Congress will take office with a strong inheritance: America's commanding military edge. But this advantage is not a birthright or a fact of nature. It will need to be sustained in the face of dramatic changes in the makeup of U.S. society, the globalization and commercialization of technology and the defense industry, and the nature of modern conflict. America's military edge must be assured in new missions such as homeland defense and peacekeeping, where U.S. power is not yet fully developed. And the national security establishment as a whole must boost its managerial efficiency, dynamism, and the motivation of its workforce. In an area as important as national defense, it is simply unacceptable for government to lag so far behind the private sector. Without superpower competition or a sense of imminent danger to galvanize it, however, the U.S. defense establishment has drifted toward complacency, toward just getting by, without making the kinds of difficult choices that ensure real superiority.

The new administration will be judged by the results it obtains, not just by the policies it propounds. The president and his defense team would do well, therefore, to cast an eye over the means at hand to pursue their policy ends—the people and organizations of the national security agencies. Four years is long enough for the managerial problems of the defense establishment to take their toll. Four years is also long enough for changes made to take form—as a sustained military edge that this president could then pass on to the next one.

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The New Face of Northeast Asia

Kent E. Calder

RUMBLINGS IN THE EAST

NORTHEAST ASIA, specialists have long argued, is among the most dangerous places on earth. Only there are the world's three principal nuclear powers (the United States, Russia, and China) and the two largest economic powers (the United States and Japan) still politically and geographically engaged—their interests entwined in a volatile arc surrounding Japan. It was in that region that three years of bitter Korean conflict half a century ago shaped the Cold War for two generations. As other global hot spots moved fitfully toward peace, Korea remained locked in conflict. To this day, Northeast Asia lacks a regional security framework analogous to NATO or the Organization for Security and Cooperation in Europe (OSCE), and there is still no peace treaty on the Korean Peninsula, where more than a million troops from opposing sides remain deployed within miles of each other.

Yet when Kim Dae Jung of South Korea and Kim Jong Il of the North met on the tarmac at Pyongyang last June 13, the region's past and present tensions seemed to be giving way to the promise of future cooperation. The remarkably positive chemistry of the initial meetings produced tangible results. Within little more than two months, North and South Korea had agreed to rebuild roads and railways across the demilitarized zone (DMZ), resolved to re-establish a liaison office in Panmunjom (a village in the DMZ used as a neutral setting

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for international discussions), and completed an emotional series of visits between family members who had been separated for nearly 50 years. Soon afterward, their athletes marched under a common flag at the Sydney Olympics.

These initiatives marked a significant shift in regional diplomacy. For the first time since World War II, Seoul and Pyongyang—rather than Washington, Moscow, or Beijing—were driving events. The two Koreas sensed that they were on center stage and relished their new place in the sun.

A glance at the map, and its geopolitical implications, suggests the power of the forces being unleashed by the Korean rapprochement. Korea is the strategic pivot of its region. With a hostile, communist North Korea lying between it and the rest of the Asian continent, South Korea has long been a geostrategic island. Yet peninsular cooperation could transform North Korea from a barrier into a bridge—to Russia, China, and the world beyond. A lack of domestic energy resources, coupled with rapidly rising demand for energy, gives North and South Korea a shared economic motive to develop common railways and pipelines northward to exploit Siberian gas and trans-Siberian shipment opportunities. In 1999, South Korea's primary energy consumption rose more rapidly than any other nation's, driven by heavily increased demand for natural gas. The country is eager to reduce its already heavy energy dependence on the Middle East by diversifying toward new suppliers, such as gas-rich Siberia. As North Korea's economy strengthens, its demand for Russian energy could also rise sharply.

The Cold War created a static, stable, oddly comfortable world: antagonistic political affiliations implanted conflict in Northeast Asia, but at least they were strong and predictable. The new geopolitics, by contrast, is much more fluid, particularly at its Korean vortex. The system's architect is clearly Kim Dae Jung, a visionary leader who won last year's Nobel Peace Prize. He has simultaneously enticed the North out of isolation, reassured Japan, and stimulated Russian interest in mutually beneficial contacts in trade, transportation, and energy.

The two Koreas and Russia could benefit most from the peninsular thaw. Subtly capitalizing on the potential economic and diplomatic benefits for his country, Russian President Vladimir Putin has been a

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highly active new geopolitician. Only weeks after the Pyongyang summit, he visited both Pyongyang and Beijing, where he strengthened the security ties that already give Russian manufacturers 90 percent of the substantial and growing Chinese arms market. After attending the Okinawa summit of the group of seven highly industrialized nations (G-7) plus Russia in late July, Putin visited Japan again in early September and then invited Kim Jong Il to Vladivostok. Russia has also been alert to the fact that resource-rich Siberia and Russia's neighboring Far Eastern regions could profit from the endemic and voracious Korean and Japanese needs for energy and raw materials, encouraging a broad range of commercial exchanges at various levels.

For China, the Korean conciliation has so far had mixed implications. China reportedly helped engineer the rapprochement by encouraging Kim Jong Il to adopt a more pragmatic policy toward his southern neighbor. But the prospects of change in Korea may rekindle the long-term rivalry between China and Japan for influence on the peninsula, as did Korean internal turbulence before the Sino-Japanese War of 1894–95. Yet in the short run, China is benefiting from intensified local pressure against U.S. bases in the region, especially in Korea. These facilities are coming to appear less necessary to local citizens as regional tensions relax.

Washington was arguably left behind in the early aftermath of the Pyongyang summit, after dominating Korean diplomacy for more than five decades. Even after the Cold War ended, Washington had continued to direct the pace and direction of regional discussions. From late 1998 to early 2000, former Secretary of Defense William Perry made a series of visits to countries in the region as President Clinton's special envoy to North Korea, a diplomatic process marked by his crucial Pyongyang discussions of May 1999. But a year later, the historic North-South summit temporarily eclipsed Perry's effort and shifted diplomatic initiative toward the two Koreas themselves.

The United States has, however, naturally recouped some influence through its sway with multilateral bodies potentially crucial to the North's reconstruction, such as the International Monetary Fund, the World Bank, and the Asian Development Bank. The United States also remains central to strategically important missile and satellite talks, as the high-level exchange of visits between

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North Korean military leader Jo Myong Rok and U.S. Secretary of State Madeleine Albright in October 2000 so clearly showed.

The most unfortunate victim of the new geopolitics is undoubtedly Japan—which is ironic, given that it is the economic giant of Asia. As an island on Northeast Asia's periphery, without the deep involvement with that region's commerce that it has with Southeast Asian trade, Japan will not receive the direct economic benefits from the relaxation of tensions in Korea that its continental neighbors anticipate. As the largest and most affluent economic power in the region, however, Japan could easily be saddled with the costs.

Northeast Asian governments are not prepared for emerging public debates over national security.

Questions of national security make many Japanese quietly uneasy about the increasing pace of collaboration between the Koreas. They sense that South Korean and Japanese interests may be diverging on such sensitive issues as economic assistance and North Korean Nodong mobile missiles capable of reaching Japan; Japan is also unwilling to forget that North Korea allegedly kidnapped ten Japanese citizens in the late 1970s, a charge that derailed 1992 normalization talks between the two countries. Japan's cumbersome decision-making processes, hindered by bureaucratic rivalries and political factionalism, keep its responses to the fast-paced developments on the continent a step behind other nations' reactions. Japan's talks with North Korea remain deadlocked, despite the dynamic diplomacy being conducted by other regional actors.

Japan's deteriorating relations with China compound its other problems. Recent Chinese naval activities, including several contentious visits to disputed areas in the East China Sea and the first circumnavigation of the Japanese archipelago in more than 15 years, have accelerated this deterioration. During the past 20 years, $23 billion in Japanese aid has helped neutralize bilateral tensions. But now a combination of steadily rising Chinese military expenditures (a 12.7 percent increase last year alone, the eleventh double-digit jump in a row) and Japanese aid fatigue is eroding this long-standing pillar of interdependence. China's rising trade surplus with Japan, which surged 39 percent in the first half of 2000, has not helped.

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The burst of diplomatic activity across Northeast Asia since the Pyongyang summit has been remarkable. Yet basic political and economic forces in the region could provoke even more sweeping and unexpected change. Storm clouds are gathering around China's periphery that contrast sharply with the dramatic and well-reported rapprochement between the two Koreas.

Leaders in the region face three long-term challenges that transcend Korea's current evolution: the emergence of democracy, rapid changes in defense technology, and transformations of long-standing international political and economic relationships. Many of the political and technological changes, to be sure, began quietly reshaping Asia a decade or more ago. Yet it was the Pyongyang summit that catalyzed change and suddenly intensified the immense challenges that now confront the region and the broader world.

THE POPULIST CHALLENGE

IN THE LONG RUN, democratization in Northeast Asia will help bring about a more peaceful world. Yet in the short run, making governments more accountable to people introduces new uncertainties and limits into diplomacy. Opening foreign policy decisions to the public—especially at times of regional transition—makes national security a more central topic of public debate. Northeast Asian governments remain unprepared for this emerging reality.

Recent regime changes in South Korea and Taiwan, for example, brought advocates of political reform to power. In South Korea, former long-time dissident Kim Dae Jung (whom military rulers tried to eliminate for a quarter-century) is now halfway through his five-year term as president. In May 2000, Taiwan elected to the presidency Chen Shui-bian, a radical civil-rights lawyer and advocate of independence from China for two decades. In both cases, however, government and opposition are locked in a precarious balance, with neither side enjoying a broad mandate. Indeed, Chen garnered only 39 percent of the vote in a three-way race and confronted controversial impeachment proceedings only months into his term.

The reform governments' fragility subjects their foreign policy to more intense scrutiny and pressure from domestic public opinion. It

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CORBIS-BETTMANN

Bosom buddies: North Korean leader Kim Jong Il with South Korea's President Kim Dae Jung, Pyongyang, North Korea, June 13, 2000

also has given outside actors—notably mainland China and North Korea—greater incentive to manipulate democratic politics for their own ends. Both on the Korean Peninsula and in the Taiwan Strait, the result is delicate, volatile, and often paranoid politics, with reformers trying simultaneously to transform domestic politics and to adapt diplomacy and foreign policy to the new geopolitics of the surrounding region.

The more delicate and dangerous of the two situations lies in the Taiwan Strait—the ambiguity of Taiwan's international status is further complicated by the mutual lack of trust. Beijing seems wary of Chen's intentions on the all-important independence issue. Chen, supported by only a weak plurality of the presidential vote and confronted by Beijing's active efforts to isolate him, may be tempted to take the locally popular course of confrontation with China to solidify his domestic support base. Chinese President Jiang Zemin, constrained by a 2002 Communist Party decision on his continued tenure, cannot actively seek compromise. Were

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both sides in the confrontation less beset by domestic pressures, accommodation would undoubtedly come easier.

In South Korea, in contrast to Taiwan, popular sentiment favors détente rather than confrontation. More than 7.5 million South Koreans—roughly 15 percent of the population—have relatives in the North. The initial round of family reunions, heavily covered in the media, seems to have awakened a deep yearning for renewed social ties between North and South, although some skepticism about Northern intentions later emerged. Transportation breakthroughs such as the August 2000 North-South agreements to build freeway and railway links across the DMZ, as well as a proliferation of tourism and contract-manufacturing ventures, have also stimulated new economic incentives for deeper integration.

JUCHE TWILIGHT

ONE NATION, of course, remains immune to the populist tendencies sweeping across much of the region: North Korea. Despite new signs of apparent pragmatism in foreign policy, its people remain hermetically sealed off from the outside world. The regime's ideological rationale for this isolation has been *juche*, or self-reliance. This approach is clearly now in its twilight—thanks to a severe famine and a North Korean manufacturing production capacity and energy supply that have shriveled by 50 percent in the last decade. Deepened economic, if not political, interdependence with the outside world has a powerful logic that may well be further reinforced by the détente now in progress.

The decline of *juche*, or a *juche* twilight, in North Korea is a complex political and economic reality with fateful implications for the neighboring nations and for the United States as well. It has three key elements: a precarious North Korean economic situation; a political order that, although highly repressive, continues to be surprisingly stable under Kim Jong Il's consolidation of power; and economically pragmatic but military-oriented leadership in Pyongyang. For example, Kim Jong Il's government tolerates, and even promotes, economic interdependence with other nations at levels low enough not to threaten political stability at home. At the same time, North Korea continues to expand its capacity to project military power against the outside world.

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Juche twilight is, to a greater extent than many outside observers realize, compatible with greater North Korean economic cooperation with the surrounding world. Broad economic and political liberalization, to be sure, could sound the death knell of the current North Korean regime (and thus spread chaos and substantial economic adjustment costs across the region). Yet this is not the sort of economic interdependence that either Pyongyang or many of its prospective regional economic partners have in mind. Provided that political interactions with the outside world remain controlled, the North Korean regime could still survive if, for example, it allowed energy and transportation infrastructure projects to pass through its territory en route from South Korea to Russia and beyond. Indeed, such transit projects could very well help to perpetuate *juche* twilight by providing North Korea with the revenue to alleviate its current severe economic crisis.

Virtually all the key actors of Northeast Asia have an economic interest in the indefinite persistence of *juche* twilight, which is essentially an enervated, pragmatic version of the vigorous North Korean militancy of recent years. South Korea, in particular, would prefer to defer the challenge of a merger until its economy grows stronger. President Kim Dae Jung has suggested that full integration of the Northern and Southern economies should take 20–30 years. Surrounding nations, for various reasons, have a similar economic stake in an extended *juche* twilight.

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The danger in *juche* twilight obviously comes on the security side. Among North Korea's few sources of leverage with the world are the military threats that it poses, on land against South Korea as well as through its missile, chemical, biological, and nuclear capacities against Japan and even the United States. Economic relations with the outside world may provide Pyongyang with new technologies and the economic resources to amplify those threats. The longer *juche* twilight persists, and the more effort that the North puts into military programs to increase its international leverage, the more provocative and threatening these challenges could become, even as the North Korean political economy slowly crumbles.

CONFRONTING TECHNOLOGICAL CHANGE

THE MOST serious technological danger for Northeast Asian leaders today is missile proliferation. Every government in the region is now both a large-scale consumer and a major producer of missiles. This unsettling reality, unique among the major regions of the world, is a disturbing product of the last decade—and the consequent dangers have been growing more pronounced over the past three years.

Technological advances and rapid deployment in China are a major part of the picture: the fastest developments have occurred in short-range missiles, such as the Dong Feng 11, which China tested near Taiwan in 1996 and has since deployed along the Taiwan Strait. These deployments grew from 20 missiles in the mid-1990s to 200 by 1999 and have recently been increasing by roughly a missile per week.

China has also been developing and deploying longer-range missiles capable of hitting other locations in Asia, including U.S. bases in Japan and South Korea. In August 1999, it tested the solid-fuel, road-mobile, 8,000-kilometer-range Dong Feng 31. A longer-range variant is reportedly being planned. In May 2000, China also began importing Russian Sunburn SSN-22 supersonic cruise missiles for its 24 new Sovremenny-class destroyers.

China's steady buildup of short-range missiles increases the prospects of multiple waves of attacks launched in many directions. This development is potentially destabilizing, because it has naturally provoked a counter-response from across the Taiwan Strait. Taiwan has already

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deployed American Patriot antimissile defenses while developing its own Skybow surface-to-air missile and Cheng Kung missile frigates. A new Taiwanese strategy to offset the Chinese buildup would reportedly involve preemptive long-range strikes on major Chinese command, communications, logistics, and economic centers. Taiwan has also begun large-scale research and development on a theater missile-defense system and upgraded its information-warfare capabilities.

North Korea, of course, has further exacerbated regional missile proliferation—and a protracted *juche* twilight threatens to make matters worse. Starting with basic Soviet Scuds, North Korea test-fired the indigenous, mobile Nodong I in 1993. Since 1997, it has deployed the Nodong in substantial numbers. Simple in design and difficult to preempt due to its mobility, the 1,300-kilometer-range Nodong is viewed as a credible terror weapon against large cities in western Japan. Indeed, Japanese analysts continue to see the Nodong as the principal North Korean missile threat to Japan despite possible problems with its accuracy. And Japan is not the only country threatened. In one of the most provocative recent developments in the region, North Korea also tested the Taepodong I missile, which has an 8,000-kilometer range, over Japanese airspace in August 1998. Furthermore, the fact that the North Korean threat figures prominently in American strategic planning shows that the Northeast Asian missile race has consequences well beyond the region.

Slow decay in North Korea poses the distinct danger of Pyongyang's continuing to develop its missiles and other weaponry.

Japan, limited by constitutional constraints and a gridlocked political system, has responded in a relatively moderate, defensive fashion. In December 1998, three months after the North Korean tests, it approved joint ballistic-missile defense research with the United States. It has also made plans to launch eight observation satellites by 2008. So far, the United States has concentrated its attention on the longer-range Taepodong missile issues. Yet the strategic threat that Japan confronts from North Korean Nodongs, not to mention recent Chinese missile advances, also remains real.

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A SWIFTLY TILTING CONTINENT

THE THIRD major challenge confronting Northeast Asian leaders is the rapidly changing international environment. Its complex interaction with the democratic, political, and technological challenges noted above makes this hurdle particularly difficult to manage. The rapidly shifting leverage of key parties also means that continuous international consultation is more necessary than ever.

Three characteristics distinguish the new international context. First, and most frustrating for the United States, no single power is clearly in charge. Perry's negotiating efforts put regional change under Washington's direction, but now the two Koreas, rather than the United States, are driving the pace of regional change (Secretary of State Madeleine Albright's recent efforts notwithstanding). Russian and Chinese diplomacy has also shaped the emergent détente. And Japan remains a force to be considered.

But a second, related feature of the post-Pyongyang situation is the passivity of those, including the G-7 powers and international financial institutions, with the resources to actually undertake the massive economic restructuring that diplomatic developments may provoke. Some caution is clearly warranted as long as North Korea equivocates on key security issues. Yet as contact between the Koreas deepens, the world must prepare for the possibility of major, unanticipated economic change.

The prospective burden of a Korean merger would be much greater than what West Germany faced a decade ago in absorbing the East. According to a recent Bank of Korea study, the North's 1999 GDP was less than four percent of the South's, and its per capita income of $714 was just eight percent of South Korea's. By contrast, in 1989 East Germany's GDP was about 20 percent of West Germany's. Combining the North and South Korean economies could cost anywhere from $100 billion to $500 billion. A South Korea just recovering from the Asian financial crisis—despite its recent $80 billion trade surpluses—simply does not have the money to undertake this task alone.

Northeast Asia's institutions are startlingly inadequate for coping with regional problems, given the enormity of the dislocation that prospective changes in Korea could provoke. The Regional Forum (ARF) of the Association of Southeast Asian Nations (ASEAN) is a

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useful venue for casual dialogue, but it is not the solution. ARF has not even been able to mediate issues in ASEAN's backyard, such as the East Timor question. In this dearth of capable institutions, long-standing bilateral treaties still provide the crucial backbone of military deterrence. Yet now something more is needed to smooth the wrenching transition to a new era and marshal the massive resources needed for reconstruction. In stark contrast with Europe, which has a rich organizational infrastructure, including NATO, the European Union, and the OSCE, Asia still lacks institutions to help it adjust to new challenges.

IMPERATIVES FOR THE FUTURE

THE NATIONS of Northeast Asia, together with the United States, need to fashion a new North Pacific framework that builds on the considerable strengths of the past to stabilize a potentially volatile future. The single most important imperative for the United States is to strengthen its military and political alliance with Japan. The United States and Japan together hold close to 40 percent of global GDP, lead the world in technology, and contain nearly half of the world's savings. They thus make up a critical mass that can guide otherwise fluid, uncertain developments in Asia in a productive, stabilizing direction.

A central feature of American policy toward Northeast Asia is the presence of more than 80,000 U.S. troops based in Japan, South Korea, and aboard the Seventh Fleet in the Pacific. These are by far the largest non-NATO American forces outside the United States and constitute the great bulk of American troops in the entire Pacific. The value of forward-deployed forces to the United States is undeniable, particularly given the high levels of financial support—roughly $5 billion a year in the case of Japan—that allies provide to keep them in the region. Yet two important, related issues remain to be resolved.

First, whether existing deployments remain strategically optimal needs serious review. Communications, information-processing, air defense, and mobile naval capabilities are gaining importance, given the missile buildups, revolutionary information-technology changes, and rising Asian dependence on oil and gas from the Middle East. Changes that make room for these new capabilities and spread U.S. forward deployments more fully across the Pacific need study. The

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new geopolitics makes a bottom-up review of the U.S. force structure in Northeast Asia imperative.

Second, deeper consideration must also go to sustaining the strategically vital (if not yet most favorably configured) American military deployments across the region in the face of intensifying populist and international pressures. Popular calls for a reduction of the U.S. military footprint in Asia are already strong and may well grow more vociferous in the coming years. Yet the receptivity of local communities to the American military presence varies enormously across Northeast Asia, and U.S. policymakers need to be conscious of local sentiment, even when it cannot readily be accommodated. Continued and intensified efforts to broaden the perceived benefits that U.S. bases give to local communities are a crucial priority. Facilities made more available for joint civilian-military use, disaster-relief cooperation, international education centers, on-base internship programs, and efforts to reduce tensions between base personnel and the community are all helpful. So is cultivating a deeper, more balanced sense of partnership with local military units.

To strengthen the political credibility of the alliance, both Washington and Tokyo must devote much more attention to explaining to their general publics the comprehensive security goals they hold in common and the substantial progress in civil-military relations that they have already achieved at the local level. A new, more articulate elaboration of shared interests needs to legitimize their joint defense commitments while building a much more dynamic program that addresses mutual concerns beyond defense. A deepened common agenda between the two countries should focus more on high-profile issues that attract widespread public interest, such as energy, mass transit, earthquake research, and education for the information age. The Cold War and the Korean rivalry legitimized and sustained a U.S.-Japan alliance based on narrow economic and security interests. In the post–Cold War era, partnerships must also draw strength from a shared world-view.

Economic policy can also reinforce the broader alliance in creative ways. The United States and Japan should, for example, seriously study the feasibility of reviving comprehensive open-market negotiations, focusing on the high-technology and service sectors. They should encourage still further the recent surge of foreign direct investment into Japan by pressing Japanese policymakers for early changes in the Commercial

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Code (which regulates how business is conducted in Japan), consolidated taxation, and corporate governance. Given the political gridlock in Tokyo and the high levels of Japanese public debt, it will be difficult for government programs alone to open and revitalize the Japanese economy. Transforming the incentive structure of the private sector through technical but microeconomically important steps, which would encourage direct finance and greater business efficiency, would be far more effective.

A related imperative is reinforcing American relations with South Korea, which stands at the vortex of Northeast Asia's potentially volatile new geopolitics. Such an effort could include five basic elements. First, a more comprehensive U.S.–South Korean policy-coordination process should build on the recently initiated Trilateral Coordination and Oversight Group of the United States, Japan, and South Korea. Second, policymakers should undertake a broad review of U.S.–South Korea security relations, parallel to the U.S.-Japan Defense Guidelines process just completed. Third, intensified North Korean military maneuvers and delays in promised confidence-building steps with South Korea in recent months have rendered problematic the coordinated verification of Pyongyang's intentions regarding North-South détente. The North needs to take good-faith concrete steps regarding infrastructure investment in North Korea, technical training of officials involved in international commercial transactions, and measures to make previous nonaggression pledges irreversible. Fourth, Washington and Seoul should initiate working-level studies on appropriate coordination and sequencing of joint U.S.–South Korean responses to inter-Korean developments. And finally, there should be joint exploration of options for reconfiguring ground-force deployments in the event of a serious, verifiable reduction of North-South tensions, while retaining residual air and naval capacities and pre-positioned equipment.

Given the fluidity and complexity of developments in Korea and the broader region, the new U.S. administration should build on the Perry process of 1998–2000 by giving a presidential envoy with strong political and military experience the authority to coordinate policies toward Northeast Asia. Once the envoy and other key officials are in place, the new president should also consider a visit to Tokyo and Seoul to assess the recent changes in Northeast Asia and illustrate Washington's renewed emphasis on relations with Japan and South Korea as the cornerstone of

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American responses to those changes. Such a visit would help cement the invaluable transpacific working relationships on which a true alliance needs to be based. It could deal with important pending issues, such as reaffirming the profile of American forward-deployed troops in Okinawa. It could also be the occasion for a major programmatic statement giving some long-term direction to the alliance, as the Tokyo Declaration of 1992 and the Framework Agreement of 1993 were intended to do.

Given the complexity involved in transpacific dealings among massive political economies with different cultures and histories, forging a more coherent relationship among the United States, Japan, and South Korea is easier said than done. All sides clearly have divergent, as well as shared, interests. Yet they must see the value in strategically pursuing concrete priorities. Sustaining an alliance in the face of growing populist pressures will require cooperative steps, fundamental strategic reviews, and economic initiatives that build common collateral in the transpacific future.

REFORMING JAPAN

NORTHEAST ASIA'S new geopolitics badly needs Japan to be a more active player, both in its alliance with the United States and in global affairs more generally. Japan is the real colossus of Northeast Asia and a potential force for both stability and prosperity. The Japanese economy remains five times the size of China's, and this imbalance is unlikely to change decisively for at least a generation, despite China's higher prospective growth rates. With 30 percent of global savings, Japan—the largest capital exporter on earth—can contribute crucially to global financial and political projects; China could be a marginal financial contributor at best.

Yet to play a meaningful and active international role, Japan requires massive political and economic reform. Given the explosive pace of change and the rising fluidity of foreign affairs, three priorities deserve particularly serious consideration.

First, Japan must reform its overly regulated economy. The serious fragmentation in Japanese politics and administration means that a shift to new standards of corporate governance and direct finance would be far more effective in restructuring the Japanese economy than any government program. Since 1998, Japan has been moving

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toward a new business paradigm with its "Big Bang" in financial affairs, new bankruptcy legislation, consolidated accounting, and the advent of new venture-capital markets such as NASDAQ Japan. These reforms, if fully implemented, could in turn accelerate Japanese growth, deepen its interdependence with foreign trading partners, and make Japan a more viable competitive environment for many foreign firms.

Political restructuring is also necessary. Japanese politics, like its economy, is suffering a quiet crisis. The general elections in June 2000 graphically demonstrated voters' substantial frustration with the ruling conservatives, especially among urban and younger Japanese. Another electoral defeat for the ruling coalition in the July 2001 elections for the House of Councilors (the upper chamber of the Diet) could well catalyze broader political reform. But Japan's high levels of political regulation, the large financial resources available for the government to dispense, and the weak social base for pluralist politics in a largely homogeneous society make it difficult for political parties themselves to spearhead much-needed change. Market incentives and pressure from the outside world need to carry more of the burden of change in Japan than they do elsewhere.

Finally, the innovative decisions and diplomacy required by the new geopolitics make the Japanese political parties' sluggishness to change a more urgent problem. Thus decisive individual leadership has become an imperative for Japan. One option that attracts growing attention and support among Japanese is direct election of the prime minister on the Israeli model, although some fear the rise of demagoguery. At a minimum, most Japanese would like their system to give more voice to younger, reformist politicians—and not just from the current ruling parties—in their nation's affairs.

A FRAMEWORK FOR THE NEW GEOPOLITICS

THE GREATEST DANGER posed by the new shape of Asia, especially for status quo powers such as the United States and Japan, is that populist pressures and changing technology will incite a destabilizing struggle over the regional balance of power. The perils implicit in such a power struggle are especially acute because Northeast Asia, unlike Europe or even Southeast Asia, has no regional institutions capable of muting paranoid perceptions and setting mutual goals.

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The region, to be sure, has the U.S.-Japan and the U.S.–South Korea security alliances, which are reinforced by U.S. forward deployments and are a vital cornerstone of stability. Yet the fluid world now emerging needs broader cross-regional support mechanisms. There is no obvious reason why ASEAN, based half a continent away, should be central in this process, although ARF is, as noted earlier, a useful venue for casual dialogue. And the four-party framework of the Koreas, the United States, and China, created to formalize a Korean War peace settlement, leaves out two key players and is therefore poorly equipped to address the most fundamental issues of Northeast Asia's future. Russia under Putin has become a dynamic player in Asian politics, and Japan will also inevitably play a crucial role in Korean reconstruction. Both deserve a seat at a table of expanded, six-party talks on Korea. Periodic meetings in this format, supplemented by a formalization of the U.S.–Japan–South Korea policy coordination processes that have evolved since 1998, should create an institutional basis for the new geopolitics.

A greater role in directing the North Pacific's future should also be reserved for "Track II" institutions and processes (unofficial contacts among nongovernmental actors), especially those that deepen triangular understanding among Washington, Tokyo, and Beijing. On issues of comprehensive security in particular—such as energy, food, and the environment—a remarkably sophisticated set of such institutions, including the Council for Security Cooperation in the Asia Pacific, has begun to evolve. Partially because formal intergovernmental bodies have been so weak and diplomatic processes so complicated, these private-sector groups have come to play an important role. Track II processes could vitally help moderate what could otherwise be volatile, paranoid, destabilizing tendencies in the new geopolitics of Northeast Asia, especially on Taiwan-related issues.

From a set of static, rigid, Cold War relationships in continental Northeast Asia has emerged, with remarkable speed, a fluid, deceptive new world. Unanticipated dangers are becoming clear, even as new prospects for cooperation and reconciliation materialize. With their critical mass and shared stability concerns, the United States and Japan together have the potential to anchor and renew the North Pacific, if they can summon the requisite vision and decisiveness. Never has leadership been more difficult—or more consequential.

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The Middle East & the Balkans

AP/WIDE WORLD PHOTOS

An Israeli flag flies atop the Mount of Olives with the al-Aqsa Mosque in the background, Jerusalem, July 2000

The new intifada will force a day of reckoning on Israel, when it must decide between Palestinian statehood and a prolonged and debilitating conflict.

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The New Palestinian Revolt

Chris Hedges

A DAY OF RECKONING

IT WAS NOT CLEAR who fired first. It may have been the cluster of young Palestinian men hidden in chest-high undergrowth near the Nezarim junction in Gaza. It may have been the Israeli soldiers at their outpost. Within a few seconds it no longer mattered. The crowd of 200 Palestinians, who had gathered for the daily protest, frantically sought cover. Bullets cracked and whizzed through the air.

The shooting was another fleeting and largely unheeded incident in the new Palestinian intifada. This conflict bears increasingly little resemblance to the one that took place from 1987 to 1993 and ended with the Oslo peace accords, which set up the framework for Palestinian interim self-government in the West Bank and Gaza. Each shot at Nezarim was another round fired into the carcass of the accords. The battle against the Israeli occupation is becoming an intercommunal war, one that could go on for months, perhaps years. What is happening harks back to the 1930s, when armed bands of Zionist settlers and Arabs took potshots at each other in a battle of attrition that culminated with the 1948 war over Israel's founding.

The new intifada is reverberating throughout the Middle East, rattling the dusty and inefficient Arab regimes in Cairo and Damascus, emboldening extremist Arab states such as Iraq, and weakening the power of Yasir Arafat's Palestinian Authority. Most important, it foreshadows a day of reckoning for Israel when it will have to decide between the swift establishment of a sovereign Palestinian

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state including in some manner East Jerusalem, and a prolonged, debilitating conflict.

The empty highway where the Nezarim gunfight took place was littered with the usual detritus—rocks, smashed bottles, brass bullet casings, trash, pieces of wood, and lumps of blackened rubber from tires that had been set afire. The Palestinian police had set up a table a few hundred yards down the road and had watched the clashes from the shade of a small porch. War and death have become a form of street theater here, as is common in such upheavals.

Young men carrying plastic bags filled with gasoline bombs sprinted from sand pile to sand pile, laid there for this purpose by the Palestinian police the night before. They worked their way toward a concrete wall around which they could hurl the bombs at an Israeli military outpost. The bottles, licked by bright red flame, arched skyward and then crashed, sending up voluminous clouds of inky black smoke. When the shooting became heavy, the demonstrators chanted Islamic slogans.

There were several sharp cracks—the signature sound of sniper rifles. Marwan Shamalekh, 22, a bottle in his hand, collapsed dead in a lump on the ground. His companions scooped him up, each taking an arm or a leg, and ran to the back of a waiting ambulance near the Palestinian police. The white van, its pulsating siren and red light providing a brief distraction, roared away.

The Palestinians had another martyr, more fuel for the insurrection. The next morning Shamalekh was carried on a bier through the streets of Gaza, his body wrapped in a Palestinian flag, a prop to whip up angry, vengeful crowds. After laying him in a shallow pit in the sandy cemetery at the edge of the city, groups of young men left to confront the Israelis and exact their revenge. The cycle continued.

SEEKING MARTYRDOM

Gaza, like Kosovo's capital of Priština, is a derelict, concrete slum where car exhaust mingles with the stench of raw sewage. One million Palestinians—70 percent of whom are either refugees from what is now Israel or the descendents of refugees—live crammed into this dusty, flat, coastal area twice the size of Washington, D.C. Most are

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stateless and have never left the Palestinian territories and Israel. Families are piled in boxy, concrete rooms capped with corrugated tin roofs weighed down by rocks. They have little furniture. Water and electricity come sporadically. The population growth rate is one of the highest on the planet—a 3.7 percent annual birthrate compared with 1.7 percent in Israel. Donkey carts crowd the streets and orange garbage bins, donated by the European Union, overflow with pungent heaps of refuse.

Rabah el-Loh, 23, stood one afternoon in front of the grave of his brother, Raid, killed in clashes with Israeli soldiers. The funeral had taken all morning and thousands of angry mourners still milled around the barren cemetery in Gaza.

"Goodbye brother," el-Loh said. "Say hello to the other martyrs."

The walls of Gaza are plastered with poster-sized photographs of "martyrs" shot by the Israelis. Many are pictured holding a weapon in front of the gold-topped al-Aqsa Mosque in Jerusalem. These are in fact studio photos taken long before the current unrest. The gun was a prop and the glittering mosque a carefully chosen backdrop. All that was real in these photos, apparently, was the desire of these young men to fight against Israel and for a Palestinian state—and to die in the process if need be. And now, at least until the pictures fade or peel away, the slain youths will have their heroism recognized.

Raid's decision to become a martyr was a conscious one, his family said, based on his despair at life in the Gaza Strip, hatred toward Israel, and a belief that to not sacrifice himself was to dishonor those who had gone before him.

Only 28,000 Gazan workers receive permits to work in Israel. Nearly all who do are middle-aged men who are considered less of a security threat. The young therefore have nothing to do and nowhere to escape to. They cannot get married because they cannot afford housing. They cannot leave Gaza, even for Israel. Martyrdom is the only route offered to those who want to achieve a measure, however brief, of recognition and glory.

"He spoke only of this, of being a martyr for the last four or five days," said Raid's mother, Fatma. "I asked him not to go. But once his younger brother was wounded he felt that it was his duty. When he left I said, 'God be with you.' I knew he would never come back."

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Palestinians like Raid have been nurtured on bitter accounts of abuse, despair, and injustice. Families tell and retell stories of being thrown off their land and of relatives killed or exiled. All can tick off the names of martyrs within their own clan who died for the elusive Palestinian state. The only framed paper in many Palestinians' homes is a sepia land deed from the time of the British mandate. Some elderly men still keep the keys to houses that have long since vanished. From infancy, Palestinians are inculcated with the virus of nationalism and the burden of revenge. And, as in Bosnia, such resentment seeps into the roots of society for generations until it resurfaces or is finally rectified, often after much bloodletting.

Gaza and the West Bank are akin to the South African townships under apartheid.

"Tell the man what you want to be," said Hyam Temraz to her two-year-old son, Abed, as she peeped out of the slit of a black veil.

"A martyr," the child answered.

"We were in Jordan when my son Baraa was four," she said. "He saw a Jordanian soldier and ran and hugged him. He asked him if it was he who would liberate Palestine. He has always told me that he would be a martyr and that one day I would dig his grave."

Nezar Rayyan, her husband, is a theology professor at Islamic University in Gaza. He is a large man with a thick black beard and the quiet, soft-spoken manner of someone who has spent much of his life reading. On the walls of his office, black and white photographs illustrate the history of Palestinians over the last five decades. They show lines of trucks carrying refugees from their villages in 1948, after the United Nations created Israel and its Arab neighbors attacked the new state. They show the hovels of new refugee camps built after the 1967 war. And they show the gutted remains of Palestinian villages in what is now Israel.

Rayyan's grandfather and great-uncle were killed in the 1948 war. His grandmother died shortly after she and her son, Rayyan's father, were forced from their village. His father was passed among relatives and grew up with the bitterness of the dispossessed—a bitterness the father passed on to the son and the son has assiduously passed on to the grandchildren.

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"There was not a single night that we did not think and talk about Palestine," Rayyan said, his eyes growing moist. "We were taught that our lives must be devoted to reclaiming our land."

Rayyan spent 12 years in an Israeli jail. His brother-in-law blew himself up in a suicide-bomb attack on an Israeli bus in 1998. One of his brothers had been shot dead by Israelis in street protests five years earlier. Another brother was expelled to Lebanon and several more were wounded in clashes.

Today, his three sons—ages 12, 15, and 16—daily join the youths who throw rocks at Israeli checkpoints. All three, according to their father, strive to be one thing: martyrs for Palestine.

"I pray only that God will choose them," he said.

A few days after I had watched Marwan Shamalekh drop dead at Nezarim, I went to call on his parents. They pulled up a chair on the cement patio outside their tiny, concrete house and served plates of dates and demitasse cups of bitter coffee. Mrs. Shamalekh was unable to speak, sobbing softly into a kerchief.

Abdel Razaq Shamalekh, Marwan's father, clutched his nine-year-old son, Bilal, who stared at me vacantly.

"I had to carry Bilal to his bed after I told him his brother had been killed," the father said. "He collapsed. Later I found him leaving the house with a knife he had taken from the kitchen. He told me he was going to Nezarim to kill Israelis."

ECONOMIC WARFARE

GAZA AND THE WEST BANK have become the Middle East's version of the South African townships during the apartheid regime. Nearly all the indignities visited on South African blacks—the lack of electoral representation, the dependence on work and travel permits, the curfews, the land confiscations, the arbitrary arrests, and the marginalization from the growing economy—are also part of Israel's relationship with the Palestinians.

On Israeli orders in October, travel between Palestinian towns on the West Bank ended, the borders with Egypt and Jordan were sealed, and all trade with those countries stopped. (Israeli authorities later amended this ruling to allow some agricultural imports into Israel.)

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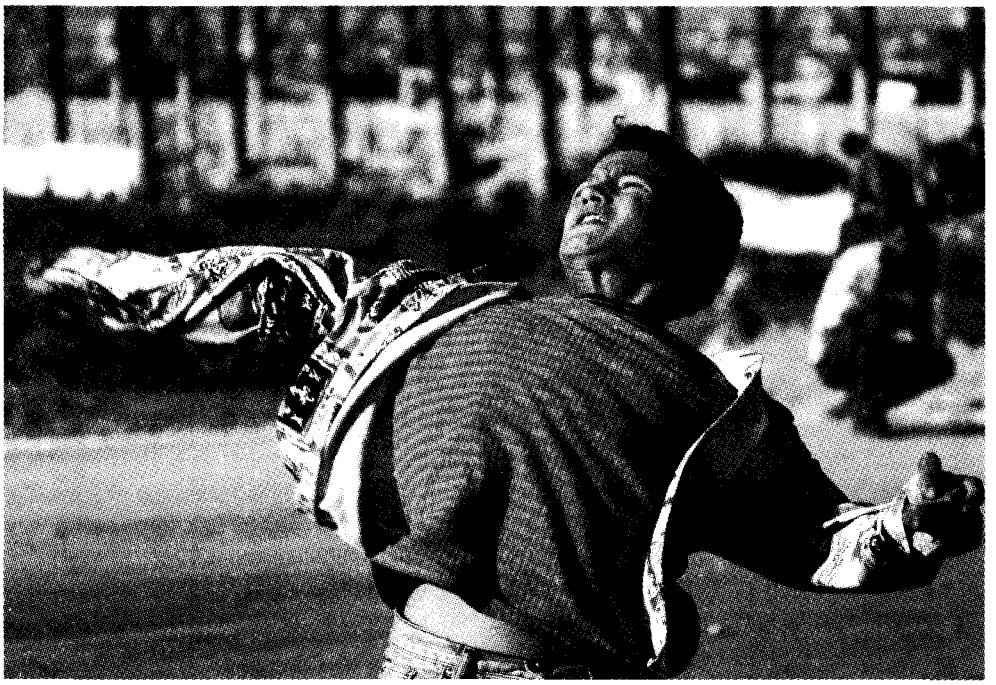

CORBIS-BETTMANN

Days of rage: A Palestinian boy prepares to hurl a rock at Israeli soldiers, Gaza, November 6, 2000

All commercial trade between the Palestinian Authority and Israel was also cut off, although Israel did pledge to somewhat ease the restrictions for the Muslim holy month of Ramadan that began in late November. Shortages in food and cooking fuel resulted from a halt in Israeli deliveries of basic goods into Gaza, and some 120,000 Palestinians lost access to their jobs in Israel. In addition, because the Israelis control the principal sources of electricity, fuel, and water, they can choose to compound the shortages by cutting basic services or communications with the outside world. Indeed, Israeli authorities have already threatened to turn off the power because of late payments. Fuel, telephone service, and water could be next. Even the currency is Israeli: in Gaza and the West Bank, Palestinians pay for goods in Israeli shekels.

Arafat has called the economic blockade an act of war, little different from "rockets, planes, and tanks." Indeed, the United Nations estimates that the blockade withholds $3.4 million from the territories each day. Salem Ajluni, an economic specialist in Gaza with the U.N. Educational, Scientific, and Cultural Organization (UNESCO), estimates

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that the losses could amount to $650 million a year, or about 63 percent of the Palestinian Authority's revenue, excluding foreign donations. (Only contributions from Kuwait and Saudi Arabia enabled the Palestinian Authority to pay the November salaries of its 115,000 employees.) And the losses are bound to climb now that Israel has frozen the transfers of funds that it collects on behalf of the Palestinian Authority—as agreed under the autonomy accords—including sales taxes and customs duties.

There are now growing demonstrations in Israel by frustrated Jews who carry placards reading "let the army win." Israeli Defense Force commanders have complained that Prime Minister Ehud Barak is too worried about international censure to allow them to take appropriate measures against armed Palestinians. Protesters' demands include a total blockade of Gaza and the West Bank, seizing land to build new roads through the territories, and more aggressive reprisals, especially against some of the senior Palestinian leaders believed to be behind the revolt.

Barak has threatened to carry out a "unilateral separation" from the territories—fencing off the Palestinian enclaves and annexing Israeli settlements in the West Bank. In this scenario, the best Israel can hope for is a tenuous truce once the Palestinians capitulate. If the tactic fails to bring about a Palestinian submission, then Israel may have to resort to the kind of offensive military activity that many Israeli commanders are now advocating.

In Palestinian eyes, the peace process is not providing more autonomy from Israel and will not do so until the Jewish settlements are gone. For Palestinians, the Israeli occupation will not have ended until they control their own roads, borders, and economy. An enduring peace requires sovereignty over East Jerusalem and the al-Aqsa Mosque, sacred land that was in Muslim hands from the seventh century until 1967. An acceptable settlement must also provide either an agreement for the return of Palestinian refugees who fled Israel or compensation for the property and homes that they left behind. Unless these changes occur, the Palestinians appear set to go on fighting, especially after the failure of Oslo.

I was in Gaza City on the October night when the Israelis first fired rockets from attack helicopters at three targets in retaliation for

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the killings of two Israelis. The furious crowds that surged through the streets were, like those who led the first intifada, made up of the poorest in the Gaza Strip. And just as the first intifada was directed not only against the Israelis but also against the Palestinian bourgeoisie—the shopkeepers and business owners in Gaza City—this new intifada has twin targets. Armed militias, increasingly beyond the control of Arafat's Fatah movement, are once again collecting "war taxes" from frightened shopkeepers. But this time, Arafat's own organization is targeted along with the Palestinian middle class. In the days following Israel's helicopter attacks, Palestinian mobs burned shops and hotels selling alcohol—owned by Arafat's corrupt and despised Palestinian Authority officials.

The new intifada, led by Islamic warriors who turn young Palestinians into suicide bombers, may spread to the entire Arab world.

Tens of thousands of enraged youth, calling not on Fatah but on the militant Islamic group Hamas to avenge the attacks, flooded down the main avenue. The mood in the crowd, which waved green banners with Arabic script, was ugly. Faces were contorted. Many seemed incapable of answering simple questions. They pushed, shoved, spat, and shouted at once. Sweat streamed down faces. None were able to stay still.

"This is so painful for us," said Samil Aloushas, 20, as he stood bare-chested in the street with a group of friends. "The world has left us powerless. We do not have these tanks, these missiles, and these helicopters. How can we fight back? Yet we must. We must defend Jerusalem from attack. All we have to sacrifice is ourselves. Everyone here is ready to do this. We are a nation now of suicide bombers. This is what the Israelis have done to us."

Those who speak for the Palestinians today are found in mosques, not the air-conditioned offices of Arafat's seaside compound. The secular heroes of the old intifada have been replaced by bearded Islamic warriors who trigger powerful suicide bombs and embrace an asceticism that stands in stark contrast to Fatah's hedonism and corruption.

Sheik Abed el-Fatah stood in a black robe with gold brocade trim in his airy mosque following a service for a "martyr" killed by Israeli troops the day before. Like most clerics, he sees war as inevitable—part

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of a final, apocalyptic battle that will drive the Jews off Islamic soil. And he preaches this message week after week to crowds of shoeless men who squeeze into the vaulted structure or listen from loudspeakers placed outside on the street. The morning I was there he took the opportunity to lash out at the "Jewish-controlled" Western media. "This uprising will not be limited to Palestine but will spread to the entire Arab world," he said. "It will unite all the Muslims behind our struggle. All the Jews who came here from other countries, from all over the world, must now go back. Those that are from Palestine can stay, as long as they are peaceful."

THE NOOSE TIGHTENS

Ali Dhair, 54, stood oblivious to the periodic pop of gunfire between Palestinian gunmen and Israeli soldiers just over the hill near the Rafah border crossing. He was mourning his cucumber plants. "Look," he said, pointing to piles of twisted brown stems and roots. "It was too expensive to maintain them."

He was not alone. Piles of withered produce dotted the sandy plots around him. The Israeli decision to close the border made it impossible for farmers like Dhair to export farm products. He and many others are now bankrupt.

Not only have scores of farmers gone bust in the last few weeks, unable to export crates of tomatoes and cucumbers to Israel, the West Bank, Egypt, and Jordan; without basic supplies and money to pay workers, everything from tailor shops to construction firms has ground to a halt. The Israelis, who keep gunships off the coast, have curtailed the range of fishing boats. Tourism to places such as Bethlehem, which hosted half a million visitors last year, has dried up. And Israeli shoppers, who spent $500 million last year in West Bank towns, are no longer traveling into Palestinian areas.

The downward spiral strengthens the radicals. Armed fighters, who like their predecessors in the first intifada are intoxicated by newfound power and authority, have aided the Israeli blockade. They have stopped Palestinian workers from going to their jobs in the industrial park at the Erez checkpoint in Gaza, and the park has already lost about a third of its 3,500 workers. Radical Palestinians have also

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burned factories in Gaza and the West Bank. One fire forced developers to halt work on a fiber-optic-wired industrial park being set up in the West Bank by Israeli software companies—once touted as the model of how the Israeli and Palestinian economies could be merged. "I am too scared to go to work," said Mohammed al-Kahlout, 28, who is a tailor in the Erez industrial zone. "Two days ago someone was shot and killed. In my workshop only 2 out of 20 people go to work."

As the closure drags on and the nearly 120,000 Palestinians with jobs in Israel stay home, pressure mounts in Israel to bring in foreign guest workers to replace them. Gaza's economy is sustained by its exports of fruits and vegetables and the salaries earned by 28,000 laborers who work in Israel. About 30,000 more are licensed to work from the West Bank. Another 60,000, nearly all from the West Bank, work illegally.

Rageh al-Kahlouf, 47, owner of one of the biggest businesses in Gaza, has shut down the two garment factories where he makes jeans for export. More than a hundred employees are without jobs. He will not pull his sewing machines out of storage until he can again import material and send out finished products. Al-Kahlouf said that during the last prolonged closure, in 1996, when Israel locked the Palestinians out for 104 days after a spate of suicide bombings, he was nearly ruined.

"It would take no more than a month for the Israelis to bring Gaza to its knees," he said, clutching a roll of returned checks from local merchants who did not have the funds to cover recent purchases. "But if Israel uses this weapon it will also sweep away Arafat's Palestinian Authority and see the radicals in the street prosecute a vicious and prolonged war with Israel. It could as well knock down the tired, secular regimes in places like Egypt and Syria, where the leaders are passive but must appear to respond to the calls from their own people to act."

HARDENED OBJECTIVES

THE ECONOMIC SQUEEZE is taking its biggest toll on Arafat. The first intifada swept away the cautious and passive Palestinian leadership that had accommodated, or at least not challenged, the Israeli authorities after 1967. Arafat's Fatah took control. Now, under threat from the new wave of violence, Arafat is working hard to make sure that this revolt does not replace him with Hamas activists.

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Hamas has nonetheless become venerated as the vanguard in the struggle against the Jewish state.

Arafat's stature began to slip after he signed the 1993 Oslo accords, which were wrenchingly painful for the Palestinians. By signing, Arafat recognized the legitimacy of Israel, formally ending Palestinian claims to Israeli land that had been home to many of his people for generations. He gave up nearly 30 percent of the territory that the original 1948 U.N. partition plan had defined as Palestinian, leaving his bifurcated state with little more than 20 percent of what was once the British Mandate of Palestine.

Many Palestinians believe that by signing the Oslo accords, Arafat deprived them of a capital in Jerusalem, a return of refugees, and an end to the expansion of the Jewish settlements. Indeed, over the past decade of peace negotiations, the number of Israeli settlers has nearly doubled. The 1993 accords stipulated a partial Israeli withdrawal from the occupied territories, after which a five-year transitional period of negotiations toward a final-status agreement should begin. Palestinians were angered when Oslo-mandated deadlines for the Israeli withdrawal passed unfulfilled; the Israelis said that Arafat was not living up to the terms of the agreement. Thus, it began to appear to most Palestinians that Israel would withhold even the promised 20 percent. Indeed, Israel still occupies more than 80 percent of Gaza and the West Bank.

This despair, coupled with declining incomes, created a more radical, militant population. Compromise obviously did not work. After signing Oslo, Arafat was excoriated in the Arab press in ways that might have stunned even his right-wing critics in Israel. He had become the Arab world's Marshal Philippe Pétain, the leader of France's collaborationist Vichy government during World War II. As time went by and Prime Minister Binyamin Netanyahu's Likud government let the peace process stagnate, Arafat's stock continued to plummet. As Hamas carried out suicide bombings in Israel and Hezbollah attacked Israeli forces in southern Lebanon—eventually forcing Israel to withdraw—it seemed that Arafat's secular Fatah movement was fading into the twilight. His decision to jail Hamas activists did not improve his popularity.

Palestinian men, filled with rage and economic despair, grew impatient with Fatah's conciliation, as well as its nepotism and corruption, and

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embraced the harsher methods and rhetoric of the Islamists. After all, they argued, such tactics worked for Hezbollah in southern Lebanon.

When Barak came to power in June 1998, a lot of time—perhaps too much—had been lost. The suicide bombings and lengthy closures had seen Israeli companies replace Palestinian workers with Filipinos, Chinese, and Romanians. The real per capita GDP for the West Bank and Gaza declined 36 percent between 1992 and 1996, due to falling incomes and the explosive population growth. In the 1980s, unemployment averaged just 5 percent; that figure is now well above 40 percent and is still climbing. Israel's per capita income is $17,000, whereas the Palestinians' is less than $2,000.

Barak underestimated the mounting Palestinian frustration.

In hindsight, it appears that Barak underestimated the mounting Palestinian frustration. He squandered valuable time in fruitlessly wooing Syrian President Hafiz al-Assad and in waiting nearly a year before making overtures to Arafat. Meanwhile, the prime minister reached out to the Jewish settlers in the West Bank and Gaza.

It was a beleaguered Arafat who arrived at Camp David in July 2000. He had cut a deal with the Israelis in Oslo that had not, in his eyes, been fulfilled. He had been stranded, he felt, by the heir of assassinated Prime Minister Yitzhak Rabin. And at Camp David, he was faced with an all-or-nothing Israeli peace proposal that would have left the Palestinians with a mutated statelet in five chunks, all subject to Israeli fiat. In pushing for a final-status agreement, Barak and President Clinton had ignored Arab, European, and Palestinian warnings that such a move could destroy the peace process.

Arafat saw himself as vulnerable on the issues of Jerusalem, the refugees' right of return, and the disposition of occupied land. So he walked away. If he wanted to remain the Palestinians' leader, it was his only choice. The mood in the territories had reached a feverish pitch, and Arafat correctly read the political landscape when others did not. He was cheered at home and throughout the Arab world for his decision.

The spiral toward a lengthy war of attrition is dangerous not only for Israel but also for the United States. The Islamic world—almost 20 percent of the world's population—will have little problem breeding

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militant cells to harass and attack American interests if they are perceived as too pro-Israeli.

The Palestinian position has now hardened, leaving little chance for a return to the Oslo process. Palestinian leaders talk only of U.N. Security Council Resolution 242, which calls on Israel to withdraw from the territory it occupied following the Six-Day War and for all the states in the region to recognize and respect each other's borders.

"This intifada has changed the basis of negotiations," Marwan Barghouthi, a leader of Arafat's Fatah faction in the West Bank said recently in a speech at Bir Zeit University. "We will not return to the negotiations and become hostages to the Israelis and the Americans without having any action on the ground. The aim of this intifada is clear: the return of refugees, ending occupation, gaining independence and sovereignty, and establishing Palestinian sovereignty over Jerusalem."

THE NEW WARRIORS

YASID ABU ABED, a veteran fighter in Fatah, stepped over the wreckage caused by Israeli missile attacks in his headquarters in Gaza City—chunks of concrete, broken beams, twisted iron reinforcing rods, and mangled furniture. Clustered around him were bodyguards who clutched an eclectic collection of weapons, including American-made M-16 assault rifles and outdated black snub-nosed Russian machine guns. Some in the entourage had covered their faces with Palestinian flags or hoods, some wore uniforms, and some had strapped webbed belts with green cartridge cases over their jeans.

These ragtag fighters, members of a Palestinian militia known as the *tanzim* ("organization" in Arabic), will largely determine whether the battles with Israel continue. The police of the Palestinian Authority, whether out of sympathy or impotence, often watch passively as *tanzim* members fire toward Israeli positions in spots such as the Nezarim junction in Gaza or at Ramallah in the West Bank, often provoking a withering and deadly Israeli response.

Rayad Zaid, 21, is typical of those who have spent most of their lives fighting Israelis. As a child he often missed school to stone Israeli soldiers on patrol. He has been shot in the leg three times and carries a scar on his forehead from a rubber bullet. His father spent

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13 years in Israeli jails. He said his mother, an asthmatic, died after inhaling tear gas when he was 11. "I will make any sacrifice for my people and my country," he said in the Jabaliya refugee camp, "and I will strap explosives on my body and blow myself up to attack the Israelis if it is required."

Palestinians have acquired large numbers of automatic weapons over the past couple of years. During the first intifada it was rare to find guns in the hands of protesters. It was even rarer to see them used against Israelis. But the streets of Gaza are now awash with a wide variety of guns, some of which look like they belong in a museum. Israel has permitted the ruling Palestinian Authority to obtain some light weapons, but many more have been smuggled in from Jordan, Egypt, and even Israel, militia leaders say.

Tanzim commanders say they will mount a protracted guerrilla war against Israel, a war of attrition modeled on Hezbollah's efforts in southern Lebanon. They point out that many of the inhabitants of the Israeli settlements around Ramallah, Gilo, and three settlements in Gaza—Nezarim, Kefar Darom, and Morag—have fled, despite the deployment of Israeli tanks and armored personnel carriers intended to protect them.

"We know that the Israelis have powerful weapons," said Abu Abed, who spent five years in Israeli jails, "but we are willing to take losses they would never accept. Hezbollah, with little more than light weapons, drove Israel out of Lebanon. We, with nothing more than rocks, forced them to return part of our land. With our guns we are ready to liberate all of Palestine and our capital, holy Jerusalem."

AN UNWINNABLE WAR?

RATHER THAN defeating the Palestinians, Israel may be slowly defeating itself. The inclusive, liberal dreams of Israel's Zionist founders have mutated into an occupation from which the Israelis find it difficult to extract themselves. Unlike the wars of 1967 and 1973, Israel today is fighting not against armies but against a subject people. Palestinians, and increasingly Israeli Arabs as well, are the enemy.

Comparison can be found in the war over Algerian independence in the late 1950s and early 1960s. The French fought valiantly and

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brutally in Algeria. They won the military contest but by the end could no longer justify to themselves or the outside world that it was worth being there. They had few allies when it was over. The political, emotional, and financial costs for France were enormous.

Palestinian resistance may prove surprising. Indeed, given the drudgery and poverty of life in the occupied territories, resistance will be for many Palestinians the headiest and most exciting time in their lives. If the attacks and counter-attacks between intifada fighters and the Israeli military grow harsher and the numbers of Palestinian dead mount, the one million Israeli Arabs who do not serve in the army and feel like foreigners on their own land are sure to bring the violence deeper inside Israel.

Nazareth, within Israel, has begun to look like Ramallah in the West Bank did only a few years ago. No longer will Jews take their cars into the Arab part of town for cheaper service or shop for vegetables in the Arab markets. Rocks are hurled at Jewish cars when they drive near Arab towns. And demonstrations by Israeli Arabs in Nazareth have ended with gunfire and death.

Israel has taken cautious steps toward integration into the Middle East by reaching out to its Arab neighbors, moving toward winning the acceptance absolutely vital for Israel's survival. But these gains are now being wiped out. Moderate Arab states such as Morocco, Tunisia, and Qatar have closed representative offices in Israel. Egypt has recalled its ambassador from Tel Aviv and Jordan has not sent its newly named ambassador. And rogue states such as Iraq and Iran, by tapping into the anger in the Arab streets, are once again ascending. Time is not on the side of the peacemakers.

Israeli generals—like most commanders of a technologically advanced and well-trained army would do—are pushing for firmer measures. And the country, with each new killing of an Israeli, is lining up behind them. With an election now looming, Israel will likely become even less flexible.

In his public statements, Barak swings from being a liberal politician who wants to make concessions for peace to a former army commander seeking a military solution. Neither he, nor Israel, can have both.

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A Small Peace for the Middle East

Arthur Hertzberg

THE CLASH OF ABSOLUTES

THE DREAM of perfect peace is also the enemy of peace. The world can no longer avoid the somber insight of Isaiah Berlin, who wrote that any ideal taken to its very end brings not redemption, but pain and horror. Great conflicts, as Berlin realized, are insoluble because they involve absolutist principles and uncompromising visions. In wars of religion, no peace can be made between true faith and idolatry. In wars of ideology, no true revolutionary can compromise with false visions. And so wars continue, endlessly and insolubly. The only way to stop them is to abandon ideals—whatever they may be—and to make, in the here and now, pragmatic arrangements that stop the killing.

This precept holds for the conflict between the Israelis and the Palestinians, which has been made worse, unutterably worse, by such a dream of perfect peace. In this case, the dream took the form of one of the most glorious and creative movements of the last century: modern Zionism. A hundred years ago, some of the most vital elements in the Jewish community all over the world attempted to join the modern world by rejecting the passivity of their ancient messianic religion. They embraced modern nationalism with great enthusiasm and entered the lists of modern politics in order to establish a "normal" nation in the ancient homeland of the Jews, a goal that would free their people from confined existence in ghettos. The Zionists thought that Jews

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would achieve a kind of redemption by ceasing to be different from and persecuted by the nations of the world. Somehow, they thought, the inevitable discomforts and conflicts with the Arabs would be resolved. The Jews would find peace and acceptance in the land where their ancestors had once fashioned their religion and culture. But it was not to be. Instead, from its very beginning to this very day, Zionism has confronted a century of war.

The Palestinians have no corresponding messianic vision, no contemporary secular dream of a resurgent Islamic society. They simply want to be left alone in the land they believe was taken from them in wars of conquest. The results of these conquests can never be accepted by the Palestinians. Neither the Christian crusaders nine centuries ago nor the Jews in this century ever acquired title to the land. No international decision made at Versailles or by the United Nations can change the minds of those who belong, religiously, culturally, and historically, to the world on which Islam set its fundamental stamp. Palestine is irrevocably a part of the realm of the believers, especially since Jerusalem is the home of the third holiest shrine in Islam: the mountain from which the Prophet Muhammad ascended to heaven.

Unlike the Jews, the Palestinians have no messianic vision—they simply want to be left alone.

The claim of the Jews on the land of Palestine is more complex but equally non-negotiable. The religious believe that God once promised the land to the children of Abraham. The nationalists believe that the Jewish people will be endangered unless their base is re-established in their ancient homeland. Thus neither group can ever grant the ultimate Palestinian demand that the Jews cease their aggression and go elsewhere. Modern Zionism began with the vision of a "normalized" Jewish people, a nation among nations that would be part of the world as of right. The most important Jewish demand is therefore that at the end of the peace process, the Arabs agree that the Jews' existence in the region is permanent and can never again be questioned. Without such a pledge, the vision of the Zionist enterprise—that modern Israel be established as a legitimate member of the family of nations—will remain unrealized.

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RETURN AND REVENGE

FOR YEARS, Yasir Arafat, chairman of the Palestinian Authority, has spoken the language of peace and compromise in his declarations in Western languages, while saying in Arabic that Jerusalem is totally inalienable and that not one acre of Palestine rightfully belongs to the Jews. Jewish hard-liners have seized on these statements to prove that Arafat does not want peace and never intended to negotiate an end to the conflict. Jewish moderates have countered that these statements in Arabic are merely intended to temporarily satisfy Arafat's own constituency and that despite them, he is negotiating peace in good faith.

Both assessments of Arafat's policies are wrong, but not for the reasons that are sometimes given: namely, that he is either a man of peace who cannot deliver it, or an unregenerate man of war who occasionally hides behind the rhetoric of peace. In fact, Arafat wants neither peace nor war, nor even a permanent peace process. All that he, or any successor, can deliver are de facto arrangements that tamp down the conflict but leave the ultimate ideological issues unsolved. This is because no Palestinian political leader can possibly declare that the Jews have a right to settle permanently in Palestine as its newest conquerors. This would fly in the face of the Koran and the various forms of Arab nationalism that are its heirs. Such thinking should not be hard to comprehend. Indeed, after the Roman conquest of Judea and the destruction of the Second Temple in the year 70, rabbinic law refused to acknowledge the Romans' legal title to the land. The land of the Jews remained in the hands of the Jews, at least theoretically, and the Romans and all others who came after them had no claim to sovereignty. Why should Islam and its successors be any less tough-minded about their own claims?

The vehemence of the Palestinian position has never really been faced by the Israelis and their supporters throughout the world. Zionists, both in Israel and abroad, are essentially Westerners who believe that problems have rational solutions and that age-old religious or nationalist quarrels can ultimately be solved by compromise. To think otherwise is to take a tragic view of politics. But the whole point of the Zionist enterprise is to end the tragedy of Jewish existence as a persecuted minority in the Diaspora, and to win acceptance for the Jews.

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The Zionists want to remake the Jewish people as a "normal" entity. Israel has recognized that this change is not happening quickly. But until recently, Israel firmly believed that the day would come when a global settlement of the conflict would be negotiated. Although Arab refugees from Palestine have not found new homes in the Arab countries to which they fled, Israelis believed that some resettlement and much compensation would resolve the question. In August 2000, at Camp David, Prime Minister Ehud Barak was bold enough to try to lead Israel into a settlement in which he gave away much of the Old City of Jerusalem itself to Palestinian control. Barak could not believe that the Palestinians would reject what was clearly the most generous settlement that any Israeli prime minister could ever offer them.

Had the Palestinians accepted the deal, their agreement would have allowed Barak to vanquish his domestic enemies by waving before them an unimaginable victory: an Israel finally at home in the Arab world. But it did not happen. Would it have happened if Israel had better treated the Arab populations in its pre-1967 borders? No, for Arafat could not deliver permanent peace to the four million refugees outside Israel's borders. These refugees have sustained themselves during a half-century of misery on the dream of return and revenge. This dream Arafat dared not take away from them. Thus, the most that Israel was able to offer the Palestinians was not enough to make permanent peace.

The result of this failure within Israel and the Jewish world was simple and dramatic. It seemed to confirm the view of hard-liners within the Jewish community who have long said that peace is not possible, and that the only response to Arab riots and guerrilla warfare is to intensify the military struggle. Meanwhile, the moderates, the "peace party" among the Jews, were plunged into deep trouble. They always believed that a generous offer from the Israeli side would bring permanent peace. But Barak's offer did not. Now some of the members of the peace camp profess bitter disappointment in their Arab comrades. Others, however, still believe that mutual acceptance is possible. They must believe it—for the very essence of the Zionist dream is crumbling before them.

Israel now faces many of the same difficulties as did the Diaspora for many centuries. The Zionist state will have to live with uncertainty,

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insecurity, and the remaking of its safety year by year, perhaps even day by day. Of course, such instability is not Israel's lot alone. Many other states and nations live in lasting discomfort and even danger. The difference is that Zionism did not ask those who took up its cause to live with uncertainty. It promised them just the opposite. Thus the chaos today seems to give the lie to the pledge made by the Balfour Declaration in November 1917, when the Jews were told that they could look forward to the happiness and stability of a national home of their own.

MUDDLING THROUGH

IS THERE ANY HOPE for the future? Yes, but only if all sides abandon messianic dreams and remember Isaiah Berlin's message that we cannot resolve great ideological problems. We can only make pragmatic arrangements that bring some calm to the world.

What would be the outlines of such a pragmatic arrangement in the Middle East? At the very core of the lasting quarrel between Israel and the Palestinians—and the Arab world as a whole—is the question of what is to be done for the Palestinian refugees. Indeed, the central goal of Israeli diplomacy since 1948 has been to find a way to convince the Arabs to take the refugees off Israeli hands. The time is overdue for all parties concerned—Israelis, Arabs, and the powers of the world, led by the United States—to stop talking about grand solutions. It would be more than enough, now, to simply make life better for some of the Palestinians who have lived in camps for half a century. An international effort should be made to offer them technical education in such popular fields as electronics, where the skills learned are immediately useable all over the world. Such education should be given on the broadest basis to young people in the refugee camps, especially in the West Bank and Gaza. It would offer hope to people who have long sat, trapped in anger.

Such an educational program would be seen by some as an attempt to weaken Palestinian nationalism, by offering young people the promise of careers outside the camps. But it will give younger Palestinians, and their families, a realistic choice between throwing rocks or shooting at Israeli patrols, and training for a productive life. Those who accept

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such training may insist that they will never forget the homes that their grandparents once occupied in Jaffa, even if their careers take them to Silicon Valley. The opportunity should still be offered to them, without demanding as a precondition the end of their attachment to their nationalist dream.

On the extremely difficult question of Jerusalem, a very simple suggestion is that nothing be done. The arrangement that Defense Minister Moshe Dayan worked out after the Six-Day War in 1967 for the care and management of that most sacred and most fought-over place—the Temple Mount, which the Muslims call Haram al-Sharif—has held up. Why should the dreamers of the dream of ultimate peace now want to change it? The very worst way to solve the problem would be an international commission of the major religions of the world, or a U.N. body. Both such formulas would produce conflict, because all sides involved would have their own agendas. If there must be some international oversight, let the least partisan and self-interested groups be the referees between Israelis and Palestinians. It would be much better, however, for Jews and Arabs to keep muddling along on their own.

Barak's proposal, that control of much of the Old City be given to the Palestinians in return for their agreement to final peace, was greeted with disdain on both sides. The Arab world found the offer to be too little. Arabs regard the whole of al-Quds, the holy city at the center of Jerusalem, to be non-negotiable. On the other side, Jews, from the right to very nearly the extreme left, made it clear that they would reject any proposal that surrendered the Old City to Arab rule. Both sides prefer war to even the most generous proposal for peace that might be advanced by the other. Would it be horrible, then, if Jews and Arabs simply agreed to live with the current arrangement in Jerusalem, which, although unsatisfactory, they have tolerated since 1967, rather than attempt to move toward a glorious new future, when such movement will clearly bring untrammeled war?

Let everyone—Jews, Arabs, and international leaders—face reality: the 1967 arrangement, for Arabs to administer the shrines on the Temple Mount and for Jews to exercise police power in Jerusalem as a whole, has worked far better than any of the alternatives that keep being proposed. Think of how many people will remain alive if the sensible choice is made to continue with the inglorious muddle that now exists.

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The other major problem in peacemaking is what to do with the Jewish settlements on the West Bank, in the territory that Israel conquered from Jordan in the Six-Day War. It is tempting to say that here, too, the combatants should desist from making any changes and somehow muddle through. But such a suggestion will not work. Whenever the Israeli hard-liners are given the slightest leeway, they establish new settlements, sometimes in the guise of beefing up older communities, sometimes for some other reason, such as contributing to Israel's security by protecting lines of communication. Among the Palestinians, the anger at the loss of more and more of the West Bank into the hands of Israeli settlers, and the loss of more and more water into the swimming pools and gardens of beautiful model suburbs, has passed the explosion point. Making a pragmatic peace now between the two sides will require an agreement that this creeping annexation must end. Otherwise, the riots and guerilla warfare will continue. Such an arrangement need not foreshadow the dismantling of all Jewish settlements. But it must end the argument that Israel's security requires more and more strongholds on the West Bank.

The current arrangement for Jerusalem has worked better than any of the alternatives proposed.

No one except Jewish nationalist ideologues really believes that the whole West Bank venture is about Israel's security. Likud Prime Minister Menachem Begin made it very clear in 1977, when he first came to power, that the purpose of putting Jews on the West Bank was not to make Israel more defensible. Begin said, without hesitation, that he had been elected prime minister of Israel in order to carry out an ideological policy: that the land of Israel, from the Mediterranean Sea to the Jordan River, was inalienably Jewish. He would defend that policy even if the actions it required sometimes seemed to compromise Israel's security. Even Israel's general staff recognized that although maintaining some strong points on the hills would be useful to Israel's defense, the military effort needed to protect a large number of settlers on the West Bank would be greater than would be their contribution to Israel's safety.

On this issue, the time has come for Israel to make a clear-cut and pragmatic choice in its own interest. Although the upcoming election

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may futher limit Israel's flexibility, it must abandon the idea that a settlement or two in the Gaza Strip, in the very midst of hundreds of thousands of angry Palestinians, is a boon for its security. Israel must make a distinction between settlements on the outskirts of Jerusalem and other Israeli population centers, and those isolated settlements that were scattered about in order to divide up the land of the West Bank and prevent the formation of a cohesive Palestinian territory. Such a decision may not inspire Arabs to see the dawn of peace, but it will give them less Israeli traffic on their roads to shoot at. Fewer Palestinians and Israelis will die.

ON THEIR OWN

THE SUGGESTIONS made above may seem strange, because they will not require major American diplomacy to effect or American money to fund. Superior education for Palestinian refugees will certainly cost some millions of dollars, but this is not beyond the resources of foundations interested in the Middle East, or of European governments eager to show what they can achieve on their own. Meanwhile, packing up some of the most provocative of the settlements will cost Israel less money than it has spent to maintain them. Even if Israel decides to pay to return the settlers to homes inside the country and to compensate them for their losses, these sums will not add up to billions. And the payoff will be high: a radical and welcome change in the nature of this deep-seated conflict. Israelis and Palestinians will be forced to work things out on their own, unable to nurture the hope of a grandiose peace requiring such deep concessions on either side that only the Americans have the resources to pay for it.

Perhaps the best way that the United States can contribute to peace between Jews and Arabs is to de-emphasize the conflict. At the very least, Washington should dispel the impression that it will offer grand prizes for those who help realize its vision of a fundamental peace settlement, announced with drama and fanfare on the lawn of the White House. The way to make peace is for Israeli settlements and Arab villages to work out between them, on their dusty streets, an end to the shooting.

The more grandiose a solution to the conflict, the more likely that it will require massive U.S. involvement, with Americans monitoring

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the arrangements and safeguarding the newly defined borders. The great virtue of the more modest deals proposed here is that they will not require large third-party involvement. If peace is ever to come to this region, Israelis and Palestinians must decide to relieve themselves of the burdens they have borne, with great discomfort, for quite a while. Temporary arrangements and compromises may seem to chart a long and plodding road toward peace. But they are likely to achieve their goal faster than the interminable peace process followed thus far, during which young diplomats have grown old and gray.

De-emphasizing the grandiose expectations of the American leadership has become even more plausible in these days of uncertainty that have succeeded the U.S. presidential election. Neither party now has a decisive mandate in the White House or Congress. The United States is in no position to define a bold plan or to insist that the protagonists in the Middle East conflict follow an American lead. The stars have conspired to produce an occasion for caution, both in the region and on the international scene. We should therefore move forward in pragmatic steps. The power for miraculous solutions is not in our hands.

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A Second Chance in the Balkans

Carl Bildt

A NEW OPENING

WITHIN JUST ONE YEAR, the most prominent leaders of the decade-long conflict in the Balkans have disappeared from the scene. The hard-line nationalist president of Croatia, Franjo Tudjman, died in December 1999, and his party was subsequently swept from power in an election that demonstrated public revulsion against the corruption of his regime. In October 2000, Bosnian President Alija Izetbegović resigned due to old age, while his Muslim party lost popular support because of its failure to address the country's social and economic problems. Also in October, Slobodan Milošević lost the Yugoslav presidency to Vojislav Koštunica, whose margin of victory proved too great to be undermined by Milošević's machinations.

It had been only five years since Tudjman, Izetbegović, and Milošević had spent three weeks together in Dayton, Ohio, working out a historic peace deal for Bosnia. At the time, they were seen as holding the keys to peace in the Balkans. But all of them, in their different ways, failed to grasp the opportunities for achieving this goal. The region subsequently descended into the Kosovo war, while its social and economic problems deepened.

The recent changes in Belgrade and Zagreb, however, bring with them a second historic opportunity to advance toward genuine peace

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and prosperity in the Balkans. Such progress will not come easily or quickly. But if the opportunities afforded by political change are not seized, the region could be wrenched by renewed strife. Its endemic conflict is now held in check by a quarter of a million NATO-led soldiers committed to the region. If the troops were withdrawn today, however, a new war would break out tomorrow. Self-sustaining regional stability remains a good distance away.

To achieve such stability, all parties involved need to clearly envision where the region should be heading. But to plot a successful journey, they need to know where the region is coming from. Nations exist in time as well as in space: without an understanding of the past, it will be difficult to shape the future.

FRACTURE ZONE

THE BALKANS have been shaped by a unique history. Like no other part of the continent, southeastern Europe was ruled for two millennia by a series of multinational empires. The region straddles the dividing line between Western and Eastern Christianity, and it is at a crossroads where Christianity meets Islam and where the great trading routes from the Middle East and Africa enter Europe.

Over the millennia, these multiethnic empires—ruled by Constantinople or Vienna—produced a mosaic of peoples, cultures, and languages that could not be found in any other part of Europe. All of the region's major cities were truly multinational, and even though the rural areas were less cosmopolitan, cultural diversity defined the entire Balkan region.

This mosaic was sustainable as long as the empires remained. But when the empires, dynasties, and feudal states of Europe gave way to the revolutionary idea of the nation-state—a transition brought to fruition by the 1919 Versailles Treaty—the region's unique diversity became a unique problem. In the rest of Europe, carving out a nation-state under the Wilsonian principle of self-determination was far from simple, but in the Balkans, the task bordered on the impossible. Thus, the international community instead supported the establishment of the first of the twentieth century's Yugoslavias.

Many of the questions that faced the region at the beginning of the last century remain unresolved today. The borders of the Albanian-

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dominated areas, as well as their internal instability, were the subjects of international concern and intervention. There was fierce dispute in Montenegro over whether it would strive for independence or some sort of union with Serbia. Numerous international missions sought to alleviate ethnic tensions in what is today the Former Yugoslav Republic of Macedonia. And the political complexity of Bosnia was difficult to sort out without making the country part of a larger political structure.

Between World Wars I and II, some countries attempted to control ethnic tensions by imposing ethnic separation. In the early 1920s, Greece and Turkey agreed to forcibly exchange more than a million people to consolidate their nation-states. Those expelled were denied, by treaty, the right to their property and the right to return to their former homelands.

In Yugoslavia, the multiethnic nation-state proved to be a difficult experiment. During World War II, the Nazis dismembered the country in favor of a Greater Croatia, a Greater Albania, and a Greater Bulgaria to balance and punish a dominant and Western-leaning Serbia. These nationalist sentiments erupted into bloody conflicts, including a round of ethnic carnage in Bosnia that probably took more lives than either the fight against foreign occupiers or the conflicts of the 1990s.

After World War II, Tito managed to hold Yugoslavia together only by forming a solid and repressive dictatorship. During his first years in power, Stalin was his model, the secret police his instrument, and the concentration camps and execution squads a bitter reality that suppressed all forms of ethnic nationalism. Tito never dared confront the brutal truth of ethnic conflicts during the wartime years and left bitter memories of them to be passed secretly from father to son and from mother to daughter. This buried legacy burst forth with ferocious force when the regime collapsed in the 1980s.

This history, to a large extent, explained the sudden brutality in the region during the early 1990s. Played up by the different nationalist forces that saw the chance to set up their own nation-states, the fears of the past suddenly became a potent political force. Indeed, the conflicts of that decade were driven far more by fear than by hate.

The international community tried to make peace by recognizing the independence of five of the six constituent republics of communist

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Yugoslavia. (Montenegro, the sixth, chose to join Serbia to form the current Federal Republic of Yugoslavia.) In retrospect, it is obvious that the rights and positions of the substantial minority groups within each of these states should have been firmly secured before independence was recognized. Now it remains hotly debated whether the international community's intervention prevented further bloodshed or in fact worsened the situation.

As the political structure of the former Yugoslavia crumbled, the old issues of building nation-states and drawing borders were once more on the table. Every group wanted to be a majority in a state of its own, and no group wanted to be a minority in a state of others. The successive wars followed with a tragic logic that was seized on and reinforced by the nationalist propaganda machines of Belgrade and Zagreb.

Did international intervention prevent more bloodshed or make things worse?

Now, a decade later, the tension between Serbian and Croatian interests in that part of the region has been largely solved by ethnic separation. The Croatian army effectively "cleansed" areas of Croatia that had been dominated by Serbs for centuries, while Serbian forces brutally eliminated both Muslims and Croats from wide areas of Bosnia to acquire compact and contiguous territories. To a large extent, the war in Bosnia was fought by proxy between Belgrade and Zagreb, while the Muslims were forced into an uneasy alliance with the Croats in an attempt to survive the onslaught of the Serbian military machine. Today, a substantial international presence is working to hold together a united but weak Bosnian state dominated by its two highly autonomous "entities" in the fracture zone between Serbian and Croatian spheres of interest.

At the end of the day, the Dayton peace settlement for Bosnia differed little from plans that had existed before the conflict started. What finally brought peace to Bosnia was not one military operation or another—whether by NATO in the air or by the Croatian army on the ground—but a concrete and realistic plan made by the major actors in the international community: the United States, Europe, and Russia.

Key to the settlement was the U.S. acceptance of a highly autonomous Republika Srpska within the framework of a very loose Bosnian state. The deal met the minimum demands of everyone and the maximum

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demands of no one. The Serbs got neither an independent state nor union with Serbia, but they got the Republika Srpska; the Muslims did not get a unitary state, but they got a united Bosnia and Herzegovina. And the Croats got neither their own "entity" nor a de facto merger with Croatia, but they got a minor partnership in the joint Muslim-Croat Federation.

DEPENDENCY ISSUES

THE FIRST FIVE YEARS of international intervention in Bosnia have brought substantial progress. Peace is more or less taken for granted, and the international community has paid for a massive reconstruction of much of the country's destroyed physical infrastructure.

But at deeper levels, progress has been slower. Establishing peace was once seen as a fairly short military process. NATO forces were to be out within a year, and a strong international civilian presence was considered unnecessary. But today, five years later, military forces remain, and their commitment has become essentially open-ended. The international High Representative—initially appointed to oversee the civilian implementation of the Dayton peace agreement—now makes more and more critical decisions for Bosnia as the international community takes one step after another to reinforce its role in running the country.

The greatest failure has been in economic and social development. After receiving an aid package many times the relative size of the Marshall Plan, Bosnia remains highly dependent on foreign help. It has a huge and unsustainable trade deficit, virtually no domestic investments, overblown and unsustainable budgets, massive unemployment, and semicorrupt and inefficient institutions. A recent U.N. survey showed that 62 percent of young people in Bosnia would leave the country if given the chance.

For most of the old political leaders of Bosnia, peace has just been the continuation of war by other means: the old nationalist issues still dominate their agendas to the detriment of the far more pressing social and economic issues. As long as the country's political structures remain uncertain, the fears on one side and the expectations on the other risk derailing attempts at constructive cooperation. The

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campaigns for the November 2000 elections demonstrated that nationalist tensions still plague the country. A prominent Muslim politician campaigned to rid the country of separate political entities such as Republika Srpska, and a prominent Serbian politician responded by raising the issue of Republika Srpska's independence. It is still far more common for Bosnian politicians to go to Washington or Brussels to advocate changes in their constitution than for them to go from one part of Bosnia to another to discuss and seek agreement on those same issues.

Without fundamental economic and social reforms, despair and desperation will only grow. The international community must help Bosnia establish institutions that can secure the rule of law and limit the rule of thugs. It must assist in establishing not only a firm political framework that would end internal instability, but also a framework for eventual regional and European integration, without which the political conflicts will continue forever.

SAVING SERBIA

IN MANY WAYS, the economic and social challenges of Serbia are worse than those of Bosnia. Serbia's state institutions—especially the economic ones—have been shaped by a devastating combination of socialism and sanctions and are now a strange mixture of mafia and nomenklatura. The sanctions imposed by the international community produced misery for the once honest middle class and illicit opportunities for the paramilitaries that thrived under the protection of Milošević's regime. A decade of war in Croatia, Bosnia, and Kosovo has brought more than 700,000 refugees, mostly Serbs, into the country. This is the single largest refugee population in all of Europe, and it can easily turn into a reservoir of revanchism if abandoned and ignored. The international community must not only help Serbia achieve fundamental structural and economic reforms, it must also help refugees who want to return home to actually do so.

On top of all this, there is an acute need for Serbian society to recognize the evil that has been done in its name against innocent Croats, Bosnian Muslims, Albanians, and others, and to fully understand the resentment it has created in these other societies. Peace must be

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built on national reconciliation, and this is possible only if there is individual accountability for the crimes committed during all the wars of the last decade. Here, the work of the U.N. International Criminal Tribunal in the Hague is of critical importance. To be successful, however, the tribunal must be seen as an instrument of reconciliation rather than retribution. Only when the tribunal's verdicts are seen as fair by people of the same nationality as those sentenced can it can really start to serve this purpose. But for that to happen, the tribunal must do more to dispel the perception that it is the instrument of any one power or nation.

President Koštunica has expressed the skepticism shared by many democratic Serbs about the tribunal's justness. Although it can and must be explained that the tribunal has had difficulty bringing charges on behalf of victimized Serbs because Serbia has denied it access to information, Serbs do not always accept this explanation.

The tribunal must be given the resources to widen its investigations and indictments to include all important war crimes committed during the conflicts in Croatia, Bosnia, and Kosovo, and to increase the speed of bringing people to trial. It is unacceptable for years to pass before an indicted and arrested person is allowed to answer in court. And a slow justice process may well mean a slow path toward reconciliation, peace, and stability.

INFINITE DIVISION

As the conflict over Bosnia was the consequence of a wider contention between Serbian and Croatian interests, the conflict over Kosovo is the consequence of a wider contention between Albanian and Slavic interests. Here, the area of dispute is a rift that extends from southern Montenegro through Kosovo into southern Serbia and throughout large parts of Macedonia. There will not be stable peace in the region until a political arrangement for this area is accepted by the peoples of Kosovo, all the countries of the region, including Serbia, and the U.N. Security Council.

The overwhelming majority of those living in Kosovo want to set up their own independent state, but the overwhelming opinion of the rest of the region, with the exception of Albania and the

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Albanian parts of Macedonia, is that this would be dangerous and destabilizing. President Boris Trajkovski of Macedonia expressed these concerns when he hosted the first meeting of the region's presidents following the changes in Belgrade: "We cannot redraw borders and boundaries, making smaller units of ever purer ethnic states. We cannot survive as a region if ethnicity becomes the sole defining justification of statehood."

Expressed in Sarajevo and Skopje, words like these are not only philosophical reflections but reflections of the fears of physical survival in the remaining states, primarily Macedonia and Bosnia, as they try to straddle cultural and ethnic divisions. If ethnic groups break off and form their own countries, the region risks fragmenting even further, bringing new conflicts and further ethnic divisions.

JOINING THE CLUB

To ACHIEVE any progress toward self-sustaining stability in the Balkans, regional leaders must abandon their preoccupations with nineteenth-century concepts of nation-states and borders and embrace the concept of transnational integration that will shape Europe in the twenty-first century. Today the region's fundamental choice is between integration and disintegration—which, over time, might well mean a choice between peace and war.

Since the fall of the Berlin Wall, Europe has set out to achieve stability and peace through a policy of integration, namely the enlargement of the European Union (EU). The original aim of such integration was to achieve reconciliation between former enemies France and Germany. By now, the process of accession to the EU has been extended to nearly all of Europe, but it still excludes the conflict-ridden area south of Slovenia and north of Greece.

The wish to "join Europe" is now among the few factors uniting this region. But with frail state structures, a weak rule of law, unreformed and semicorrupt state-dominated economies, huge economic imbalances, and unresolved political conflicts, the road toward EU membership will likely be a long one for most of these countries.

Despite its passivity after the Dayton peace accords, the EU has finally started to develop a coherent approach to the region. After the

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Kosovo war, it launched a realistic yet ambitious set of plans: the so-called Stability Pact, which tried to link regional integration efforts with European ones, and the Stabilization and Association Agreements, which provided a flexible structure for integration into Europe.

Important as these steps have been, the EU still needs a more far-sighted and coherent approach to the region. If it really wants to create self-sustaining stability there, it has no alternative but to accept responsibility for driving the reforms, reintegration, and reconciliation that one day will overcome the fundamental contradictions that have plagued the region for the past 150 years.

Over time, economic integration combined with firm political structures will alleviate national tensions that would otherwise persist. Such was the case in western Europe after 1945. Today, the anchoring of the complex political arrangements of the region within a wider European framework will give those countries a credibility that will pave the way for stability.

Economic integration will not come by itself. It will be achieved only through structural reforms of all the region's economies and the gradual incorporation of the region into the EU's single, integrated market. To join the EU, these countries must demonstrate that they are both willing and able to implement the rules of the club: the so-called *acquis communitaire*, which now comprises some 80,000 pages of rules for different areas of economic life. Adopting these provisions involves not only radical structural reform within a country, but also a significant transfer of sovereignty to the common European institutions.

Although Croatia is somewhat closer than the rest, the Balkan countries are all so far from these goals that present trends will not bring them there for decades. In the meantime, the attraction of joining Europe might be lost, and the region risks falling into another cycle of disintegration, ethnic cleansing, and profound problems.

To avoid this disaster, the EU should consider setting up structures that can accelerate the processes of reform, reintegration, and reconciliation in the region. This would take the prospect of joining Europe from the realm of rhetoric to reality. Experience in Bosnia, Albania, and Kosovo shows the crucial importance of customs services, for example, in stamping out both the corruption inside the countries and the criminal syndicates spreading across the region. The countries

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themselves could demonstrate their commitment to joining Europe by allowing the EU to train and monitor their customs services, and the EU could demonstrate both its stance against criminality and its willingness to facilitate integration by setting up such a customs-monitoring structure for the region.

Issues of refugee return, citizenship, and property rights are also of critical humanitarian and political importance. The EU could consider setting up a special structure—within the European Court for Human Rights, for example—to deal with the multitude of problems arising in this area. Over time, the countries of the region could be brought into the EU's European Reconstruction Agency.

Integration with Europe and political reform will help alleviate nationalist tensions.

Finally, the current NATO-led forces in Bosnia and Kosovo could, over time, become part of a regional security arrangement that, while anchored firmly in NATO and the Organization for Security and Cooperation in Europe, would include far-reaching provisions for disarmament, as well as mechanisms for military reform and integration.

Not everyone will be happy with such efforts. Those countries that believe they can become members faster than the others will obviously hesitate. And many will be reluctant to accept the fact that the freedom of movement across borders and the right to claim one's property in any country will also have to apply, for example, to Serbs in Croatia and Albanians in Serbia. Thus, the main responsibility for these accelerated processes will have to rest with the EU.

What is needed is the evolution toward structures of layered sovereignty that can achieve compromises based on respecting the minimum demands of everyone while meeting the maximum demands of no one. Such structures should allow for both wide-ranging autonomy and far-reaching European integration so that over time they might bridge the gulfs that otherwise will forever threaten the region's stability. The necessary alternative to setting up new nation-states in the region is setting up new European and regional structures.

This strategy will be of particular importance for the fracture zones where the most violent conflicts have occurred over the past decade. A future possible Republic of Kosova certainly cannot be run

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from Belgrade or be part of the Serbian republic, nor can it be forever administered by the United Nations. But it must be ready to share with Serbia and Montenegro certain powers within a reformed framework clearly linked to European integration.

Finally, these structures of layered sovereignty must be anchored in and endorsed by the U.N. Security Council. The experience of the past decade vividly illustrates that it is only when the world's three main actors—the United States, Europe, and Russia—speak with one voice that political settlements can be achieved in the region.

BECOMING LESS BALKAN

THERE IS NOW a new window of opportunity to move toward peace and stability in the Balkans. Both the region and the international community failed to do so in the beginning of the last decade and thus had to face the wars that followed. In spite of the democratic achievements of Croatia and Serbia over the last year, the forces of disintegration in the region are still stronger than the forces of integration. Now the region's fundamental choice is between becoming even more Balkan, in the worst sense of the word, and becoming more European, in the best sense of the word.

On a day-to-day basis, simply accepting a drift toward disintegration and abstaining from more ambitious efforts might seem the most comfortable approach. But the risks of this option are grave. The world might end up with a revanchist Serbia, a broken Bosnia, and a fractured Macedonia, with NATO having to manage endless low-level confrontations along the region's different fault lines, and the rest of Europe consumed by a cancer of criminality fed by the uncertainties of the region.

The international community must not fool itself into believing that only more smart bombs can handle the problems of the Balkans. It is the smart policies that have been most lacking over the past decade. Now, history has given the region, Europe, and the world a new chance. We miss it at our own peril.

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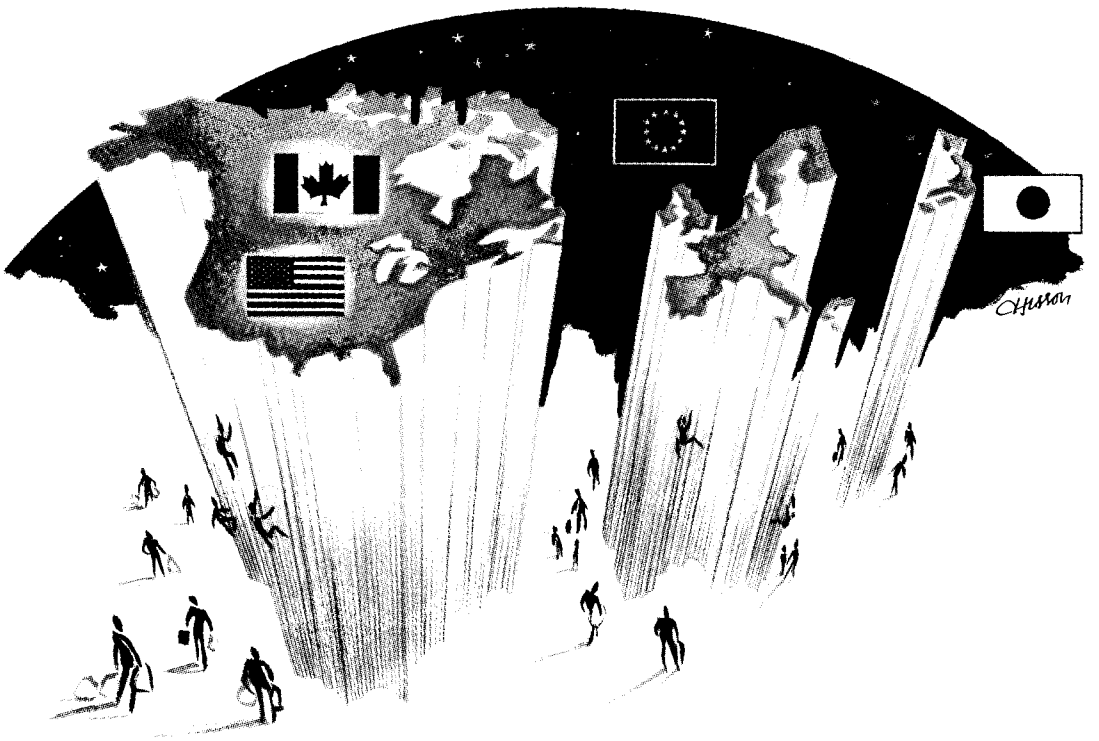
Bridging the Globalization Gap



As the poor have become more aware of inequality, rich nations have raised immigration barriers—making the world economy more like a gated community than a global village.

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The Great Divide in the Global Village

Bruce R. Scott

INCOMES ARE DIVERGING

MAINSTREAM economic thought promises that globalization will lead to a widespread improvement in average incomes. Firms will reap increased economies of scale in a larger market, and incomes will converge as poor countries grow more rapidly than rich ones. In this "win-win" perspective, the importance of nation-states fades as the "global village" grows and market integration and prosperity take hold.

But the evidence paints a different picture. Average incomes have indeed been growing, but so has the income gap between rich and poor countries. Both trends have been evident for more than 200 years, but improved global communications have led to an increased awareness among the poor of income inequalities and heightened the pressure to emigrate to richer countries. In response, the industrialized nations have erected higher barriers against immigration, making the world economy seem more like a gated community than a global village. And although international markets for goods and capital have opened up since World War II and multilateral organizations now articulate rules and monitor the world economy, economic inequality among countries continues to increase. Some two billion people earn less than $2 per day.

At first glance, there are two causes of this divergence between economic theory and reality. First, the rich countries insist on barriers to immigration and agricultural imports. Second, most poor nations have been unable to attract much foreign capital due to their own

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government failings. These two issues are fundamentally linked: by forcing poor people to remain in badly governed states, immigration barriers deny those most in need the opportunity to "move up" by "moving out." In turn, that immobility eliminates a potential source of pressure on ineffective governments, thus facilitating their survival.

Since the rich countries are unlikely to lower their agricultural and immigration barriers significantly, they must recognize that politics is a key cause of economic inequality. And since most developing countries receive little foreign investment, the wealthy nations must also acknowledge that the "Washington consensus," which assumes that free markets will bring about economic convergence, is mistaken. If they at least admit these realities, they will abandon the notion that their own particular strategies are the best for all countries. In turn, they should allow poorer countries considerable freedom to tailor development strategies to their own circumstances. In this more pragmatic view, the role of the state becomes pivotal.

Why have economists and policymakers not come to these conclusions sooner? Since the barriers erected by rich countries are seen as vital to political stability, leaders of those countries find it convenient to overlook them and focus instead on the part of the global economy that has been liberalized. The rich countries' political power in multilateral organizations makes it difficult for developing nations to challenge this self-serving world-view. And standard academic solutions may do as much harm as good, given their focus on economic stability and growth rather than on the institutions that underpin markets. Economic theory has ignored the political issues at stake in modernizing institutions, incorrectly assuming that market-based prices can allocate resources appropriately.

The fiasco of reform in Russia has forced a belated reappraisal of this blind trust in markets. Many observers now admit that the transition economies needed appropriate property rights and an effective state to enforce those rights as much as they needed the liberalization of prices. Indeed, liberalization without property rights turned out to be the path to gangsterism, not capitalism. China, with a more effective state, achieved much greater success in its transition than did Russia, even though Beijing proceeded much more slowly with liberalization and privatization.

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Economic development requires the transformation of institutions as well as the freeing of prices, which in turn requires political and social modernization as well as economic reform. The state plays a key role in this process; without it, developmental strategies have little hope of succeeding. The creation of effective states in the developing world will not be driven by familiar market forces, even if pressures from capital markets can force fiscal and monetary discipline. And in a world still governed by "states rights," real progress in achieving accountable governments will require reforms beyond the mandates of multilateral institutions.

GO WITH THE FLOW

IN THEORY, globalization provides an opportunity to raise incomes through increased specialization and trade. This opportunity is conditioned by the size of the markets in question, which in turn depends on geography, transportation costs, communication networks, and the institutions that underpin markets. Free trade increases both the size of the market and the pressure to improve economic performance. Those who are most competitive take advantage of the enhanced market opportunities to survive and prosper.

Neoclassical economic theory predicts that poor countries should grow faster than rich ones in a free global market. Capital from rich nations in search of cheaper labor should flow to poorer economies, and labor should migrate from low-income areas toward those with higher wages. As a result, labor and capital costs—and eventually income—in rich and poor areas should eventually converge.

The U.S. economy demonstrates how this theory can work in a free market with the appropriate institutions. Since the 1880s, a remarkable convergence of incomes among the country's regions has occurred. The European Union has witnessed a similar phenomenon, with the exceptions of Greece and Italy's southern half, the *Mezzogiorno.* What is important, however, is that both America and the EU enjoy labor and capital mobility as well as free internal trade.

But the rest of the world does not fit this pattern. The most recent *World Development Report* shows that real per capita incomes for the richest one-third of countries rose by an annual 1.9 percent between

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1970 and 1995, whereas the middle third went up by only 0.7 percent and the bottom third showed no increase at all. In the Western industrial nations and Japan alone, average real incomes have been rising about 2.5 percent annually since 1950—a fact that further accentuates the divergence of global income. These rich countries account for about 60 percent of world GDP but only 15 percent of world population.

Why is it that the poor countries continue to fall further behind? One key reason is that most rich countries have largely excluded the international flow of labor into their markets since the interwar period. As a result, low-skilled labor is not free to flow across international boundaries in search of more lucrative jobs. From an American or European perspective, immigration appears to have risen in recent years, even approaching its previous peak of a century ago in the United States. Although true, this comparison misses the central point. Billions of poor people could improve their standard of living by migrating to rich countries. But in 1997, the United States allowed in only 737,000 immigrants from developing nations, while Europe admitted about 665,000. Taken together, these flows are only 0.04 percent of all potential immigrants.

Global markets offer opportunities for all, but opportunities do not guarantee results.

The point is not that the rich countries should permit unfettered immigration. A huge influx of cheap labor would no doubt be politically explosive; many European countries have already curtailed immigration from poor countries for fear of a severe backlash. But the more salient issue is that rich nations who laud liberalism and free markets are rejecting those very principles when they restrict freedom of movement. The same goes for agricultural imports. Both Europe and Japan have high trade barriers in agriculture, while the United States remains modestly protectionist.

Mainstream economic theory does provide a partial rationalization for rich-country protectionism: Immigration barriers need not be a major handicap to poor nations because they can be offset by capital flows from industrialized economies to developing ones. In other words, poor people need not demand space in rich countries because the rich will send their capital to help develop the poor countries.

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This was indeed the case before World War I, but it has not been so since World War II.

But the question of direct investment, which typically brings technologies and know-how as well as financial capital, is more complicated than theories would predict. The total stock of foreign direct investment did rise almost sevenfold from 1980 to 1997, increasing from 4 percent to 12 percent of world GDP during that period. But very little has gone to the poorest countries. In 1997, about 70 percent went from one rich country to another, 8 developing countries received about 20 percent, and the remainder was divided among more than 100 poor nations. According to the World Bank, the truly poor countries received less than 7 percent of the foreign direct investment to all developing countries in 1992–98. At the same time, the unrestricted opening of capital markets in developing countries gives larger firms from rich countries the opportunity for takeovers that are reminiscent of colonialism. It is not accidental that rich countries insist on open markets where they have an advantage and barriers in agriculture and immigration, where they would be at a disadvantage.

As for the Asian "tigers," their strong growth is due largely to their high savings rate, not foreign capital. Singapore stands out because it has enjoyed a great deal of foreign investment, but it has also achieved one of the highest domestic-savings rates in the world, and its government has been a leading influence on the use of these funds. China is now repeating this pattern, with a savings rate of almost 40 percent of GDP. This factor, along with domestic credit creation, has been its key motor of economic growth. China now holds more than $100 billion in low-yielding foreign-exchange reserves, the second largest reserves in the world.

In short, global markets offer opportunities for all, but opportunities do not guarantee results. Most poor countries have been unable to avail themselves of much foreign capital or to take advantage of increased market access. True, these countries have raised their trade ratios (exports plus imports) from about 35 percent of their GDP in 1981 to almost 50 percent in 1997. But without the Asian tigers, developing-country exports remain less than 25 percent of world exports.

Part of the problem is that the traditional advantages of poor countries have been in primary commodities (agriculture and minerals), and these categories have shrunk from about 70 percent of world trade

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in 1900 to about 20 percent at the end of the century. Opportunities for growth in the world market have shifted from raw or semiprocessed commodities toward manufactured goods and services—and, within these categories, toward more knowledge-intensive segments. This trend obviously favors rich countries over poor ones, since most of the latter are still peripheral players in the knowledge economy. (Again, the Asian tigers are the exception. In 1995, they exported as much in high-technology goods as did France, Germany, Italy, and Britain combined—which together have three times the population of the tigers.)

ONE COUNTRY, TWO SYSTEMS

WHY is the performance of poor countries so uneven and out of sync with theoretical forecasts? Systemic barriers at home and abroad inhibit the economic potential of poorer nations, the most formidable of these obstacles being their own domestic political and administrative problems. These factors, of course, lie outside the framework of mainstream economic analysis. A useful analogy is the antebellum economy of the United States, which experienced a similar set of impediments.

Like today's "global village," the U.S. economy before the Civil War saw incomes diverge as the South fell behind the North. One reason for the Confederacy's secession and the resulting civil war was Southern recognition that it was falling behind in both economic and political power, while the richer and more populous North was attracting more immigrants. Half of the U.S. population lived in the North in 1780; by 1860, this share had climbed to two-thirds. In 1775, incomes in the five original Southern states equaled those in New England, even though wealth (including slaves) was disproportionately concentrated in the South. By 1840, incomes in the northeast were about 50 percent higher than those in the original Southern states; the North's railroad mileage was about 40 percent greater (and manufacturing investment four times higher) than the South's. As the economist Robert Fogel has pointed out, the South was not poor—in 1860 it was richer than all European states except England—but Northern incomes were still much higher and increasing.

Why had Southern incomes diverged from those in the North under the same government, laws, and economy? Almost from their

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inception, the Southern colonies followed a different path from the North—specializing in plantation agriculture rather than small farms with diversified crops—due to geography and slavery. Thanks to slave labor, Southerners were gaining economies of scale and building comparative advantage in agriculture, exporting their goods to world markets and the North. Gang labor outproduced "free" (paid) labor. But the North was building even greater advantages by developing a middle class, a manufacturing sector, and a more modern social and political culture. With plans to complete transcontinental railroads pending, the North was on the verge of achieving economic and political dominance and the capacity to shut off further expansion of slavery in the West. The South chose war over Northern domination—and modernization.

Although the Constitution guaranteed free trade and free movement of capital and labor, the institution of slavery meant that the South had much less factor mobility than the North. It also ensured less development of its human resources, a less equal distribution of income, a smaller market for manufactures, and a less dynamic economy. It was less attractive to both European immigrants and external capital. With stagnant incomes in the older states, it was falling behind. In these respects, it was a forerunner of many of today's poor countries, especially those in Latin America.

What finally put the South on the path to economic convergence? Four years of civil war with a total of 600,000 deaths and vast destruction of property were only a start. Three constitutional amendments and twelve years of military "reconstruction" were designed to bring equal rights and due process to the South. But the reestablishment of racial segregation following Reconstruction led to sharecropping as former slaves refused to return to the work gangs. Labor productivity dropped so much that Southern incomes fell to about half of the North's in 1880. In fact, income convergence did not take off until the 1940s, when a wartime boom in the North's industrial cities attracted Southern migrants in search of better jobs. At the same time, the South began drawing capital as firms sought lower wages, an anti-union environment, and military contracts in important congressional districts. But this process did not fully succeed until the 1960s, as new federal laws and federal troops brought full civil rights to the South and ensured that the region could finally modernize.

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THE GREAT DIVIDE

ALTHOUGH slavery is a rarity today, the traditional U.S. divide between North and South provides a good model for understanding contemporary circumstances in many developing countries. In the American South, voter intimidation, segregated housing, and very unequal schooling were the rule, not the exception—and such tactics are repeated today by the elites in today's poor countries. Brazil, Mexico, and Peru had abundant land relative to population when the Europeans arrived, and their incomes roughly approximated those in North America, at least until 1700. The economists Stanley Engerman and Kenneth Sokoloff have pointed out that these states, like the Confederacy, developed agricultural systems based on vast landholdings for the production of export crops such as sugar and coffee. Brazil and many Caribbean islands also adopted slavery, while Peru and Mexico relied on forced indigenous labor rather than African slaves.

History shows that the political development of North America and developing nations—most of which were colonized by Europeans at some point—was heavily influenced by mortality. In colonies with tolerable death rates (Australia, Canada, New Zealand, and the United States), the colonists soon exerted pressure for British-style protections of persons and property. But elsewhere (most of Africa, Latin America, Indonesia, and to a lesser degree, India), disease caused such high mortality rates that the few resident Europeans were permitted to exploit a disenfranchised laboring class, whether slave or free. When the colonial era ended in these regions, it was followed by "liberationist" regimes (often authoritarian and incompetent) that maintained the previous system of exploitation for the advantage of a small domestic elite. Existing inequalities within poor countries continued; policies and institutions rarely protected individual rights or private initiative for the bulk of the population and allowed elites to skim off rents from any sectors that could bear it. The economist Hernando de Soto has shown how governments in the developing world fail to recognize poor citizens' legal titles to their homes and businesses, thereby depriving them of the use of their assets for collateral. The losses in potential capital to these countries have dwarfed the cumulative capital inflows going to these economies in the last century.

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The legacy of these colonial systems also tends to perpetuate the unequal distribution of income, wealth, and political power while limiting capital mobility. Thus major developing nations such as Brazil, China, India, Indonesia, and Mexico are experiencing a divergence of incomes by province within their economies, as labor and capital fail to find better opportunities. Even in recent times, local elites have fought to maintain oppressive conditions in Brazil, El Salvador, Guatemala, Mexico, Nicaragua, and Peru. Faced with violent intimidation, poor people in these countries have suffered from unjust law enforcement similar to what was once experienced by black sharecroppers in the American South.

Modernization and economic development inevitably threaten the existing distribution of power and income, and powerful elites continue to protect the status quo—even if it means that their society as a whole falls further behind. It takes more than a constitution, universal suffrage, and regular elections to achieve governmental accountability and the rule of law. It may well be that only the right of exit—emigration—can peacefully bring accountability to corrupt and repressive regimes. Unlike the U.S. federal government, multilateral institutions lack the legitimacy to intervene in the internal affairs of most countries. Europe's economic takeoff in the second half of the nineteenth century was aided by the emigration of 60 million people to North America, Argentina, Brazil, and Australia. This emigration—about 10 percent of the labor force—helped raise European wages while depressing inflated wages in labor-scarce areas such as Australia and the United States. A comparable out-migration of labor from today's poor countries would involve hundreds of millions of people.

Of course, Latin America has seen some success. Chile has received the most attention for its free market initiatives, but its reforms were implemented by a brutally repressive military regime—hardly a model for achieving economic reform through democratic processes. Costa Rica would seem to be a much better model for establishing accountability, but its economic performance has not been as striking as Chile's.

Italy, like the United States in an earlier era, is another good example of "one country, two systems." Italy's per capita income has largely caught up with that of its European neighbors over the past 20 years, even exceeding Britain's and equaling France's in 1990, but its *Mezzogiorno*

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has failed to keep up. Whereas overall Italian incomes have been converging toward those of the EU, *Mezzogiorno* incomes have been diverging from those in the north. Southern incomes fell from 65 percent of the northern average in 1975 to 56 percent 20 years later; in Calabria, they fell to 47 percent of the northern average. Southern unemployment rose from 8 percent in 1975 to 19 percent in 1995—almost three times the northern average. In short, 50 years of subsidies from Rome and the EU have failed to stop the *Mezzogiorno* from falling further behind. Instead, they have yielded local regimes characterized by greatly increased public-sector employment, patronage, dependency, and corruption—not unlike the results of foreign aid for developing countries. And the continuing existence of the Mafia further challenges modernization.

Democracy is not enough to ensure that the governed reap the gains of their efforts.

Democracy, then, is not enough to ensure that the governed are allowed to reap the gains of their own efforts. An effective state requires good laws as well as law enforcement that is timely, even-handed, and accessible to the poor. In many countries, achieving objective law enforcement means reducing the extralegal powers of vested interests. When this is not possible, the only recourse usually available is emigration. But if the educated elite manages to emigrate while the masses remain trapped in a society that is short of leaders, the latter will face even more formidable odds as they try to create effective institutions and policies. Although Italians still emigrate from south to north, the size of this flow is declining, thanks in part to generous transfer payments that allow them to consume almost as much as northerners. In addition, policymaking for the *Mezzogiorno* is still concentrated in Rome.

The immigration barriers in rich countries not only foreclose opportunities in the global village to billions of poor people, they help support repressive, pseudodemocratic governments by denying the citizens of these countries the right to vote against the regime with their feet. In effect, the strict dictates of sovereignty allow wealthy nations to continue to set the rules in their own favor while allowing badly governed poor nations to continue to abuse their own citizens

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and retard economic development. Hence the remedy for income divergence must be political as well as economic.

GETTING INSTITUTIONS RIGHT

ACCORDING TO ECONOMIC THEORY, developing nations will create and modernize the institutions needed to underpin their markets so that their markets and firms can gradually match the performance of rich countries. But reality is much more complex than theory. For example, de Soto's analysis makes clear that effectively mobilizing domestic resources offers a much more potent source of capital for most developing nations than foreign inflows do. Yet mainstream economists and their formal models largely ignore these resources. Western economic advisers in Russia were similarly blindsided by their reliance on an economic model that had no institutional context and no historical perspective. Economists have scrambled in recent years to correct some of these shortcomings, and the Washington consensus now requires the "right" institutions as well as the "right" prices. But little useful theory exists to guide policy when it comes to institutional analysis, and gaps in the institutional foundations in most developing countries leave economic models pursuing unrealistic solutions or worse.

The adjustment of institutions inevitably favors certain actors and disadvantages others. As a result, modernization causes conflict that must be resolved through politics as well as economics. At a minimum, successful development signifies that the forces for institutional change have won out over the status quo. Achieving a "level playing field" signifies that regulatory and political competition is well governed.

Economists who suggest that all countries must adopt Western institutions to achieve Western levels of income often fail to consider the changes and political risks involved. The experts who recommended that formerly communist countries apply "shock therapy" to markets and democracy disregarded the political and regulatory issues involved. Each change requires a victory in the "legislative market" and successful persuasion within the state bureaucracy for political approval. Countries with lower incomes and fewer educated people than Russia face even more significant developmental challenges just to achieve economic

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stability, let alone attract foreign investment or make effective use of it. Institutional deficiencies, not capital shortages, are the major impediment to development, and as such they must be addressed before foreign investors will be willing to send in capital.

Although price liberalization can be undertaken rapidly, no rapid process (aside from revolution) exists for an economy modernizing its institutions. Boris Yeltsin may be credited with a remarkable turnover, if not a coup d'état, but his erratic management style and the lack of parliamentary support ensured that his government would never be strong. In these circumstances, helping the new Russian regime improve law enforcement should have come ahead of mass privatization. Launching capitalism in a country where no one other than apparatchiks had access to significant amounts of capital was an open invitation to gangsterism and a discredited system. Naive economic models made for naive policy recommendations.

HOW THE WEST WON

THE STATE'S crucial role is evident in the West's economic development. European economic supremacy was forged not by actors who followed a "Washington consensus" model but by strong states. In the fifteenth century, European incomes were not much higher than those in China, India, or Japan. The nation-state was a European innovation that replaced feudalism and established the rule of law; in turn, a legal framework was formed for effective markets. Once these countries were in the lead, they were able to continuously increase their edge through technological advances. In addition, European settlers took their civilization with them to North America and the South Pacific, rapidly raising these areas to rich-country status as well. Thus Europe's early lead became the basis for accumulating further advantages with far-reaching implications.

Europe's rise to economic leadership was not rapid at first. According to the economist Angus Maddison, Europe's economy grew around 0.07 percent a year until 1700; only after 1820 did it reach one percent. But the pace of technological and institutional innovation accelerated thereafter. Meanwhile, discovery of new markets in Africa, Asia, and the Americas created new economic opportunities. Secular political

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forces overthrew the hegemony of the Catholic Church. Feudalism was eroded by rising incomes and replaced by a system that financed government through taxes, freeing up land and labor to be traded in markets. Markets permitted a more efficient reallocation of land and labor, allowing further rises in incomes. Effective property rights allowed individuals to keep the fruits of their own labor, thereby encouraging additional work. And privatization of common land facilitated the clearing of additional acreage.

The nation-state helped forge all these improvements. It opened up markets by expanding territory; reduced transaction costs; standardized weights, measures, and monetary units; and cut transport costs by improving roads, harbors, and canals. In addition, it was the state that established effective property rights. The European state system thrived on flexible alliances, which constantly changed to maintain a balance of power. Military and economic rivalries prompted states to promote development in agriculture and commerce as well as technological innovation in areas such as shipping and weaponry. Absent the hegemony of a single church or state, technology was diffused and secularized. Clocks, for instance, transferred timekeeping from the monastery to the village clock tower; the printing press did much the same for the production and distribution of books.

Europe's development contrasts sharply with Asia's. In the early modern era, China saw itself as the center of the world, without real rivals. It had a much larger population than Europe and a far bigger market as well. But though the Chinese pioneered the development of clocks, the printing press, gunpowder, and iron, they did not have the external competitive stimulus to promote economic development. Meanwhile, Japan sealed itself off from external influences for more than 200 years, while India, which had continuous competition within the subcontinent, never developed an effective national state prior to the colonial era.

The Europeans also led in establishing accountable government, even though it was achieved neither easily nor peacefully. Most European states developed the notion that the sovereign (whether a monarch or a parliament) had a duty to protect subjects and property in return for taxes and service in the army. Rulers in the Qing, Mughal, and Ottoman Empires, in contrast, never recognized a comparable

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responsibility to their subjects. During the Middle Ages, Italy produced a number of quasi-democratic city-states, and in the seventeenth century Holland created the first modern republic after a century of rebellion and warfare with Spain. Britain achieved constitutional monarchy in 1689, following two revolutions. After a bloody revolution and then dictatorship, France achieved accountable government in the nineteenth century.

Europe led the way in separating church and state—an essential precursor to free inquiry and adoption of the scientific method—after the Thirty Years' War. The secular state in turn paved the way for capitalism and its "creative destruction." Creative destruction could hardly become the norm until organized religion lost its power to execute as heretics those entrepreneurs who would upset the status quo. After the Reformation, Europeans soon recognized another fundamental tenet of capitalism: the role of interest as a return for the use of capital. Capitalism required that political leaders allow private hands to hold power as well as wealth; in turn, power flowed from the rural nobility to merchants in cities. European states also permitted banks, insurance firms, and stock markets to develop. The "yeast" in this recipe lay in the notion that private as well as state organizations could mobilize and reallocate society's resources—an idea with profound social, political, and economic implications today.

Europe led in establishing accountable government, although it was not easy or peaceful.

Most of Europe's leading powers did not rely on private initiative alone but adopted mercantilism to promote their development. This strategy used state power to create a trading system that would raise national income, permitting the government to enhance its own power through additional taxes. Even though corruption was sometimes a side effect, the system generally worked well. Venice was the early leader, from about 1000 to 1500; the Dutch followed in the sixteenth and seventeenth centuries; Britain became dominant in the eighteenth century. In Britain, as in the other cases, mercantilist export promotion was associated with a dramatic rise in state spending and employment (especially in the navy), as well as "crony capitalism." After World War II, export-promotion regimes were adopted by Japan, South Korea, Singapore, and Taiwan

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with similar success. Today, of course, such strategies are condemned as violations of global trade rules, even for poor countries.

Finally, geography played a pivotal role in Europe's rise, providing a temperate climate, navigable rivers, accessible coastline, and defensible boundaries for future states. In addition, Europe lacked the conditions for the production of labor-intensive commodities such as coffee, cotton, sugar, or tobacco—production that might have induced the establishment of slavery. Like in the American North, European agriculture was largely rain-fed, diversified, and small-scale.

Europe's rise, then, was partly due to the creation and diffusion of technological innovations and the gradual accumulation of capital. But the underlying causes were political and social. The creation of the nation-state and institutionalized state rivalry fostered government accountability. Scientific enlightenment and upward social mobility, spurred by healthy competition, also helped Europe achieve such transformations. But many of today's developing countries still lack these factors crucial for economic transformation.

PLAYING CATCH-UP

GLOBALIZATION offers opportunities for all nations, but most developing countries are very poorly positioned to capitalize on them. Malarial climates, limited access to navigable water, long distances to major markets, and unchecked population growth are only part of the problem. Such countries also have very unequal income structures inherited from colonial regimes, and these patterns of income distribution are hard to change unless prompted by a major upheaval such as a war or a revolution. But as serious as these disadvantages are, the greatest disadvantage has been the poor quality of government.

If today's global opportunities are far greater and potentially more accessible than at any other time in world history, developing countries are also further behind than ever before. Realistic political logic suggests that weak governments need to show that they can manage their affairs much better before they pretend to have strategic ambitions. So what kind of catch-up models could they adopt?

Substituting domestic goods for imports was the most popular route to economic development prior to the 1980s. But its inward

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orientation made those who adopted it unable to take advantage of the new global opportunities and ultimately it led to a dead end. Although the United States enjoyed success with such a strategy from 1790 until 1940, no developing country has a home market large enough to support a modern economy today. The other successful early growth model was European mercantilism, namely export promotion, as pioneered by Venice, the Dutch republic, Britain, and Germany. Almost all of the East Asian success stories, China included, are modern versions of the export-oriented form of mercantilism.

For its part, free trade remains the right model for rich countries because it provides decentralized initiatives to search for tomorrow's market opportunities. But it does not necessarily promote development. Britain did not adopt free trade until the 1840s, long after it had become the world's leading industrial power. The prescription of lower trade barriers may help avoid even worse strategies at the hands of bad governments, but the Washington-consensus model remains best suited for those who are ahead rather than behind.

Today's shareholder capitalism brings additional threats to poor countries, first by elevating compensation for successful executives, and second by subordinating all activities to those that maximize shareholder value. Since 1970, the estimated earnings of an American chief executive have gone from 30 times to 450 times that of the average worker. In the leading developing countries, this ratio is still less than 50. Applying a similar "market-friendly" rise in executive compensation within the developing world would therefore only aggravate the income gap, providing new ammunition for populist politicians. In addition, shareholder capitalism calls for narrowing the managerial focus to the interests of shareholders, even if this means dropping activities that offset local market imperfections. A leading South African bank has shed almost a million small accounts—mostly held by blacks—to raise its earnings per share. Should this bank, like its American counterparts, have an obligation to serve its community, including its black members, in return for its banking license?

Poor nations must improve the effectiveness of their institutions and bureaucracies in spite of entrenched opposition and poorly paid civil servants. As the journalist Thomas Friedman has pointed out, it is true that foreign-exchange traders can dump the currencies of poorly

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managed countries, thereby helping discipline governments to restrain their fiscal deficits and lax monetary policies. But currency pressures will not influence the feudal systems in Pakistan and Saudi Arabia, the theocracies in Afghanistan and Iran, or the kleptocracies in Kenya or southern Mexico. The forces of capital markets will not restrain Brazilian squatters as they take possession of "public lands" or the slums of Rio de Janeiro or São Paulo, nor will they help discipline landlords and vigilantes in India's Bihar as they fight for control of their state. Only strong, accountable government can do that.

LOOKING AHEAD

INCREASED TRADE and investment have indeed brought great improvements in some countries, but the global economy is hardly a win-win situation. Roughly one billion people earn less than $1 per day, and their numbers are growing. Economic resources to ameliorate such problems exist, but the political and administrative will to realize the potential of these resources in poor areas is lacking. Developing-nation governments need both the pressure to reform their administrations and institutions, and the access to help in doing so. But sovereignty removes much of the external pressure, while immigration barriers reduce key internal motivation. And the Washington consensus on the universality of the rich-country model is both simplistic and self-serving.

The world needs a more pragmatic, country-by-country approach, with room for neomercantilist regimes until such countries are firmly on the convergence track. Poor nations should be allowed to do what today's rich countries did to get ahead, not be forced to adopt the laissez-faire approach. Insisting on the merits of comparative advantage in low-wage, low-growth industries is a sure way to stay poor. And continued poverty will lead to rising levels of illegal immigration and low-level violence, such as kidnappings and vigilante justice, as the poor take the only options that remain. Over time, the rich countries will be forced to pay more attention to the fortunes of the poor—if only to enjoy their own prosperity and safety.

Still, the key initiatives must come from the poor countries, not the rich. In the last 50 years, China, India, and Indonesia have led the world in reducing poverty. In China, it took civil war and revolution,

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with tens of millions of deaths, to create a strong state and economic stability; a de facto coup d'état in 1978 brought about a very fortunate change of management. The basic forces behind Chinese reform were political and domestic, and their success depended as much on better using resources as opening up markets. Meanwhile, the former Soviet Union and Africa lie at the other extreme. Their economic decline stems from their failure to maintain effective states and ensure the rule of law.

It will not be surprising if some of today's states experience failure and economic decline in the new century. Argentina, Colombia, Indonesia, and Pakistan will be obvious cases to watch, but other nations could also suffer from internal regional failures—for example, the Indian state of Bihar. Income growth depends heavily on the legal, adminsitrative, and political capabilities of public actors in sovereign states. That is why, in the end, external economic advice and aid must go beyond formal models and conform to each country's unique political and social context.

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Will the Nation-State Survive Globalization?

Martin Wolf

DEFINING GLOBALIZATION

A SPECTER is haunting the world's governments—the specter of globalization. Some argue that predatory market forces make it impossible for benevolent governments to shield their populations from the beasts of prey that lurk beyond their borders. Others counter that benign market forces actually prevent predatory governments from fleecing their citizens. Although the two sides see different villains, they draw one common conclusion: omnipotent markets mean impotent politicians. Indeed, this formula has become one of the clichés of our age. But is it true that governments have become weaker and less relevant than ever before? And does globalization, by definition, have to be the nemesis of national government?

Globalization is a journey. But it is a journey toward an unreachable destination—"the globalized world." A "globalized" economy could be defined as one in which neither distance nor national borders impede economic transactions. This would be a world where the costs of transport and communications were zero and the barriers created by differing national jurisdictions had vanished. Needless to say, we do

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not live in anything even close to such a world. And since many of the things we transport (including ourselves) are physical, we never will.

This globalizing journey is not a new one. Over the past five centuries, technological change has progressively reduced the barriers to international integration. Transatlantic communication, for example, has evolved from sail power to steam, to the telegraph, the telephone, commercial aircraft, and now to the Internet. Yet states have become neither weaker nor less important during this odyssey. On the contrary, in the countries with the most advanced and internationally integrated economies, governments' ability to tax and redistribute incomes, regulate the economy, and monitor the activity of their citizens has increased beyond all recognition. This has been especially true over the past century.

The question that remains, however, is whether today's form of globalization is likely to have a different impact from that of the past. Indeed, it may well, for numerous factors distinguish today's globalizing journey from past ones and could produce a different outcome. These distinctions include more rapid communications, market liberalization, and global integration of the production of goods and services. Yet contrary to one common assumption, the modern form of globalization will not spell the end of the modern nation-state.

THE PAST AS PROLOGUE

TODAY'S GROWING INTEGRATION of the world economy is not unprecedented, at least when judged by the flow of goods, capital, and people. Similar trends occurred in the late nineteenth and early twentieth centuries.

First, the proportion of world production that is traded on global markets is not that much higher today than it was in the years leading up to World War I. Commerce was comparably significant in 1910, when ratios of trade (merchandise exports plus imports) to GDP hit record highs in several of the advanced economies. Global commerce then collapsed during the Great Depression and World War II, but since then world trade has grown more rapidly than output. The share of global production traded worldwide grew from about 7 percent in 1950 to more than 20 percent by the mid-1990s; in consequence,

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trade ratios have risen in almost all of the advanced economies. In the United Kingdom, for example, exports and imports added up to 57 percent of GDP in 1995 compared to 44 percent in 1910; for France the 1995 proportion was 43 percent against 35 percent in 1910; and for Germany it was 46 percent against 38 percent in the same years. But Japan's trade ratio was actually lower in 1995 than it had been in 1910. In fact, among today's five biggest economies, the only one in which trade has a remarkably greater weight in output than it had a century ago is the United States, where the ratio has jumped from 11 percent in 1910 to 24 percent in 1995. That fact may help explain why globalization is more controversial for Americans than for people in many other countries.

Second, by the late nineteenth century many countries had already opened their capital markets to international investments, before investments, too, collapsed during the interwar period. As a share of GDP, British capital investments abroad—averaging 4.6 percent of GDP between 1870 and 1913—hit levels unparalleled in contemporary major economies. More revealing is that the correlation between domestic investment and savings (a measure of the extent to which savings remain within one country) was lower between 1880 and 1910 than in any subsequent period.

Historical differences exist, however. Although current capital mobility has precedents from the pre–World War I era, the composition of capital flows has changed. Short-term capital today is much more mobile than ever before. Moreover, long-term flows now are somewhat differently constituted than in the earlier period. Investment in the early twentieth century took the form of tangible assets rather than intangible ones. Portfolio flows predominated over direct investment in the earlier period (that trend has been reversed since World War II); within portfolios, stocks have increased in relative importance to roughly equal bonds today. And finally, before 1914, direct investment was undertaken largely by companies investing in mining and transportation, whereas today multinational companies predominate, with a large proportion of their investment in services.

Today's high immigration flows are also not unprecedented. According to economists Paul Hirst and Grahame Thompson,

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the greatest era for recorded voluntary mass migration was the century after 1815. Around 60 million people left Europe for the Americas, Oceania, and South and East Africa. An estimated ten million voluntarily migrated from Russia to Central Asia and Siberia. A million went from Southern Europe to North America. About 12 million Chinese and 6 million Japanese left their homelands and emigrated to eastern and southern Asia. One and a half million left India for Southeast Asia and Southwest Africa.

Population movement peaked during the 1890s. In those years, the United States absorbed enough immigrants to increase the U.S. population from the beginning of the decade by 9 percent. In Argentina, the increase in the 1890s was 26 percent; in Australia, it was 17 percent. Europe provided much of the supply: the United Kingdom gave up 5 percent of its initial population, Spain 6 percent, and Sweden 7 percent. In the 1990s, by contrast, the United States was the only country in the world with a high immigration rate, attracting newcomers primarily from the developing world rather than from Europe. These immigrants increased the population by only 4 percent.

As all of this suggests, despite the many economic changes that have occurred over the course of a century, neither the markets for goods and services nor those for factors of production appear much more integrated today than they were a century ago. They seem more integrated for trade, at least in the high-income countries; no more integrated for capital—above all for long-term capital—despite important changes in the composition of capital flows; and much less integrated for labor.

So why do so many people believe that something unique is happening today? The answer lies with the two forces driving contemporary economic change: falling costs of transport and communications on the one hand, and liberalizing economic policies on the other.

THE TECHNOLOGICAL REVOLUTION

ADVANCES in technology and infrastructure substantially and continuously reduced the costs of transport and communications throughout the nineteenth and early twentieth centuries. The first transatlantic telegraph cable was laid in 1866. By the turn of the century, the entire world was connected by telegraph, and communication times fell from

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months to minutes. The cost of a three-minute telephone call from New York to London in current prices dropped from about $250 in 1930 to a few cents today. In more recent years, the number of voice paths across the Atlantic has skyrocketed from 100,000 in 1986 to more than 2 million today. The number of Internet hosts has risen from 5,000 in 1986 to more than 30 million now.

A revolution has thus occurred in collecting and disseminating information, one that has dramatically reduced the cost of moving physical objects. But these massive improvements in communications, however important, simply continue the trends begun with the first submarine cables laid in the last century. Furthermore, distances still impose transport and communications costs that continue to make geography matter in economic terms. Certain important services still cannot be delivered from afar.

Diminishing costs of communications and transport were nevertheless pointing toward greater integration throughout the last century. But if historical experience demonstrates anything, it is that integration is not technologically determined. If it were, integration would have gone smoothly forward over the past two centuries. On the contrary, despite continued falls in the costs of transport and communications in the first half of the twentieth century, integration actually reversed course.

Policy, not technology, has determined the extent and pace of international economic integration. If transport and communications innovations were moving toward global economic integration throughout the last century and a half, policy was not—and that made all the difference. For this reason, the growth in the potential for economic integration has greatly outpaced the growth of integration itself since the late nineteenth century. Globalization has much further to run, if it is allowed to do so.

CHOOSING GLOBALIZATION

GLOBALIZATION is not destined, it is chosen. It is a choice made to enhance a nation's economic well-being—indeed, experience suggests that the opening of trade and of most capital flows enriches most citizens in the short run and virtually all citizens in the long run. (Taxation on

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short-term capital inflows to emerging market economies is desirable, however, particularly during a transition to full financial integration.) But if integration is a deliberate choice, rather than an ineluctable destiny, it cannot render states impotent. Their potency lies in the choices they make.

Between 1846 and 1870, liberalization spread from the United Kingdom to the rest of Europe. Protectionism, which had never waned in the United States, returned to continental Europe after 1878 and reached its peak in the 1930s.

A new era of global economic integration began only in the post-war era, and then only partially: from the end of World War II through the 1970s, only the advanced countries lowered their trade barriers. The past two decades, by contrast, have seen substantial liberalization take root throughout the world. By the late 1990s, no economically significant country still had a government committed to protectionism.

Globalization can progress only as far as national policymakers will allow.

This historical cycle is also apparent in international capital investments. Capital markets stayed open in the nineteenth and early twentieth centuries, partly because governments did not have the means to control capital flows. They acquired and haltingly solidified this capacity between 1914 and 1945, progressively closing their capital markets. Liberalization of capital flows then began in a few advanced countries during the 1950s and 1960s. But the big wave of liberalization did not start in earnest until the late 1970s, spreading across the high-income countries, much of the developing world, and, by the 1990s, to the former communist countries. Notwithstanding a large number of financial crises over this period, this trend has remained intact.

In monetary policy, the biggest change has been the move from the gold standard of the 1870–1914 era to the floating currencies of today. The long-run exchange-rate stability inherent in the gold standard promoted long-term capital flows, particularly bond financing, more efficiently than does the contemporary currency instability. Today's vast short-term financial flows are not just a consequence of exchange-rate instability, but one of its causes.

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Yet governments' control over the movement of people in search of employment tightened virtually everywhere in the early part of the last century. With the exception of the free immigration policy among members of the European Union (EU), immigration controls are generally far tighter now than they were a hundred years ago.

The policy change that has most helped global integration to flourish is the growth of international institutions since World War II. Just as multinational companies now organize private exchange, so global institutions organize and discipline the international face of national policy. Institutions such as the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank, the EU, and the North American Free Trade Agreement underpin cooperation among states and consolidate their commitments to liberalize economic policy. The nineteenth century was a world of unilateral and discretionary policy. The late twentieth century, by comparison, was a world of multilateral and institutionalized policy.

TRADEOFFS FACING STATES

IRONICALLY, the technology that is supposed to make globalization inevitable also makes increased surveillance by the state, particularly over people, easier than it would have been a century ago. Indeed, here is the world we now live in: one with fairly free movement of capital, continuing (though declining) restrictions on trade in goods and services, but quite tight control over the movement of people.

Economies are also never entirely open or entirely closed. Opening requires governments to loosen three types of economic controls: on capital flows, goods and services, and people. Liberalizing one of the above neither requires nor always leads to liberalization in the others. Free movement of goods and services makes regulating capital flows more difficult, but not impossible; foreign direct investment can flow across national barriers to trade in goods without knocking them down. It is easier still to trade freely and abolish controls on capital movement, while nevertheless regulating movement of people.

The important questions, then, concern the tradeoffs confronting governments that have chosen a degree of international economic

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integration. How constrained will governments find themselves once they have chosen openness?

THREE VITAL AREAS

GLOBALIZATION is often perceived as destroying governments' capacities to do what they want or need, particularly in the key areas of taxation, public spending for income redistribution, and macroeconomic policy. But how true is this perception?

In fact, no evidence supports the conclusion that states can no longer raise taxes. On the contrary: in 1999, EU governments spent or redistributed an average of 47 percent of their GDPs. An important new book by Vito Tanzi of the IMF and Ludger Schuknecht at the European Central Bank underlines this point. Over the course of the twentieth century, the average share of government spending among Organization for Economic Cooperation and Development (OECD) member states jumped from an eighth to almost half of GDP. In some high-income countries such as France and Germany, these ratios were higher than ever before.

Until now, it has been electoral resistance, not globalization, that has most significantly limited the growth in taxation. Tanzi claims that this is about to change. He argues that collecting taxes is becoming harder due to a long list of "fiscal termites" gnawing at the foundations of taxation regimes: more cross-border shopping, the increased mobility of skilled labor, the growth of electronic commerce, the expansion of tax havens, the development of new financial instruments and intermediaries, growing trade within multinational companies, and the possible replacement of bank accounts with electronic money embedded in "smart cards."

The list is impressive. That governments take it seriously is demonstrated by the attention that leaders of the OECD and the EU are devoting to "harmful tax competition," information exchange, and the implications of electronic commerce. Governments, like members of any other industry, are forming a cartel to halt what they see as "ruinous competition" in taxation. This sense of threat has grown out of several fiscal developments produced by globalization: increased mobility of people and money, greater difficulty in collecting information on income and spending, and the impact of the Internet on information flows and collection.

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Yet the competitive threat that governments face must not be exaggerated. The fiscal implications of labor, capital, and spending mobility are already evident in local jurisdictions that have the freedom to set their own tax rates. Even local governments can impose higher taxes than their neighbors, provided they contain specific resources or offer location-specific amenities that residents desire and consume. In other words, differential taxation is possible if there are at least some transport costs—and there always are.

These costs grow with a jurisdiction's geographic size, which thus strongly influences a local government's ability to raise taxes. The income of mobile capital is the hardest to tax; the income of land and immobile labor is easiest. Corporate income can be taxed if it is based on resources specific to that location, be they natural or human. Spending can also be taxed more heavily in one jurisdiction than another, but not if transport costs are very low (either because distances are short or items are valuable in relation to costs). Similarly, it is difficult to tax personal incomes if people can live in low-tax jurisdictions while enjoying the amenities of high-tax ones.

Eliminating legal barriers to mobility therefore constrains, but does not eliminate, the ability of some jurisdictions to levy far higher taxes than others. The ceiling on higher local taxes rises when taxable resources or activities remain relatively immobile or the jurisdiction provides valuable specific amenities just for that area.

The international mobility of people and goods is unlikely ever to come close to the kind of mobility that exists between states in the United States. Legal, linguistic, and cultural barriers will keep levels of cross-border migration far lower than levels of movement within any given country. Since taxes on labor income and spending are the predominant source of national revenue, the modern country's income base seems quite safe. Of course, although the somewhat greater mobility resulting from globalization makes it harder for governments to get information about what their residents own and spend abroad, disguising physical movement, consumption, or income remains a formidable task.

The third major aspect of globalization, the Internet, may have an appreciable impact on tax collection. Stéphane Buydens of the OECD plausibly argues that the Internet will primarily affect four main areas:

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taxes on spending, tax treaties, internal pricing of multinational companies, and tax administration.

Purely Internet-based transactions—downloading of films, software, or music—are hard to tax. But when the Internet is used to buy tangible goods, governments can impose taxes, provided that the suppliers cooperate with the fiscal authorities of their corresponding jurisdictions. To the extent that these suppliers are large shareholder-owned companies, which they usually are, this cooperation may not be as hard to obtain as is often supposed.

It is also sometimes difficult to locate an Internet server. If one cannot do so, how are taxes to be levied and tax treaties applied? Similar problems arise with multinational companies' ability to charge submarket prices to their subsidiaries abroad (so-called "transfer pricing" within multinationals), which leaves uncertain the question of how and in which country to levy the tax. This scenario suggests that classic concepts in the taxation of corporations may have to be modified or even radically overhauled.

The overall conclusion, then, is that economic liberalization and technology advances will make taxation significantly more challenging. Taxes on spending may have to be partially recast. Taxation of corporate profits may have to be radically redesigned or even abandoned. Finally, the ability of governments to impose taxes that bear no relation to the benefits provided may be more constrained than before.

Nevertheless, the implications of these changes can easily be exaggerated. Taxation of corporate income is rarely more than ten percent of revenue, whereas taxes on income and spending are the universal pillars of the fiscal system. Yet even lofty Scandinavian taxes are not forcing skilled people to emigrate in droves. People will still happily pay to enjoy high-quality schools or public transport. Indeed, one of the most intriguing phenomena of modern Europe is that the high-tax, big-spending Scandinavian countries are leading the "new economy."

Governments will also use the exchange of information and other forms of cooperation to sustain revenue and may even consider international agreements on minimum taxes. They will certainly force the publicly quoted companies that continue to dominate transactions, both on-line and off, to cooperate with fiscal authorities. But competition among governments will not be eliminated, because the powerful

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countries that provide relatively low-tax, low-spending environments will want to maintain them.

The bottom line is that the opening of economies and the blossoming of new technologies are reinforcing constraints that have already developed within domestic politics. National governments are becoming a little more like local governments. The result will not necessarily be minimal government. But governments, like other institutions, will be forced to provide value to those who pay for their services.

Meanwhile, governments can continue the practice of income redistribution to the extent that the most highly taxed citizens and firms cannot—or do not wish to—evade taxation. In fact, if taxes are used to fund what are believed to be location-specific benefits, such as income redistribution or welfare spending, taxpayers will likely be quite willing to pay, perhaps because they either identify with the beneficiaries, fear that they could become indigent themselves, or treasure the security that comes from living among people who are not destitute. Taxpayers may also feel a sense of moral obligation to the poor, a sentiment that seems stronger in small, homogeneous societies. Alternatively, they may merely be unable to evade or avoid those taxes without relocating physically outside the jurisdiction. For all these reasons, sustaining a high measure of redistributive taxation remains perfectly possible. The constraint is not globalization, but the willingness of the electorate to tolerate high taxation.

Last but not least, some observers argue that globalization limits governments' ability to run fiscal deficits and pursue inflationary monetary policy. But macroeconomic policy is always vulnerable to the reaction of the private sector, regardless of whether the capital market is internationally integrated. If a government pursues a consistently inflationary policy, long-term nominal interest rates will rise, partly to compensate for inflation and partly to insure the bondholders against inflation risk. Similarly, if a government relies on the printing press to finance its activity, a flight from money into goods, services, and assets will ensue—and, in turn, generate inflation.

Within one country, these reactions may be slow. A government can pursue an inflationary policy over a long period and boost the economy; the price may not have to be paid for many years. What difference, then, does it make for the country to be open to international capital flows? The most important change is that the reaction

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of a government's creditors is likely to be quicker and more brutal because they have more alternatives. This response will often show itself in a collapsing exchange rate, as happened in East Asia in 1997 and 1998.

THE CONTINUING IMPORTANCE OF STATES

A COUNTRY that chooses international economic integration implicitly accepts constraints on its actions. Nevertheless, the idea that these constraints wither away the state's capacity to tax, regulate, or intervene is wrong. Rather, international economic integration accelerates the market's responses to policy by increasing the range of alternative options available to those affected. There are also powerful reasons for believing that the constraints imposed on (or voluntarily accepted by) governments by globalization are, on balance, desirable.

For example, the assumption that most governments are benevolent welfare-maximizers is naive. International economic integration creates competition among governments—even countries that fiercely resist integration cannot survive with uncompetitive economies, as shown by the fate of the Soviet Union. This competition constrains the ability of governments to act in a predatory manner and increases the incentive to provide services that are valued by those who pay the bulk of the taxes.

Another reason for welcoming the constraints is that self-imposed limits on a government's future actions enhance the credibility of even a benevolent government's commitments to the private sector. An open capital account is one such constraint. Treaties with other governments, as in the WTO, are another, as are agreements with powerful private parties. Even China has come to recognize the economic benefits that it can gain from international commitments of this kind.

The proposition that globalization makes states unnecessary is even less credible than the idea that it makes states impotent. If anything, the exact opposite is true, for at least three reasons. First, the ability of a society to take advantage of the opportunities offered by international economic integration depends on the quality of public goods, such as property rights, an honest civil service, personal security, and basic education. Without an appropriate legal framework, in particular, the web of potentially rewarding contracts is vastly reduced. This point may seem trivial, but many developing economies have failed to

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achieve these essential preconditions of success.

Second, the state normally defines identity. A sense of belonging is part of the people's sense of security, and one that most people would not want to give up, even in the age of globalization. It is perhaps not surprising that some of the most successfully integrated economies are small, homogeneous countries with a strong sense of collective identity.

Third, international governance rests on the ability of individual states to provide and guarantee stability. The bedrock of international order is the territorial state with its monopoly on coercive power within its jurisdiction. Cyberspace does not change this: economies are ultimately run for and by human beings, who have a physical presence and, therefore, a physical location.

Globalization does not make states unnecessary. On the contrary, for people to be successful in exploiting the opportunities afforded by international integration, they need states at both ends of their transactions. Failed states, disorderly states, weak states, and corrupt states are shunned as the black holes of the global economic system.

What, then, does globalization mean for states? First, policy ultimately determines the pace and depth of international economic integration. For each country, globalization is at least as much a choice as a destiny. Second, in important respects—notably a country's monetary regime, capital account, and above all, labor mobility—the policy underpinnings of integration are less complete than they were a century ago. Third, countries choose integration because they see its benefits. Once chosen, any specific degree of international integration imposes constraints on the ability of governments to tax, redistribute income, and influence macroeconomic conditions. But those constraints must not be exaggerated, and their effects are often beneficial. Fourth, international economic integration magnifies the impact of the difference between good and bad states—between states that provide public goods and those that serve predatory private interests, including those of the rulers.

Finally, as the world economy continues to integrate and cross-border flows become more important, global governance must be improved. Global governance will come not at the expense of the state but rather as an expression of the interests that the state embodies. As the source of order and basis of governance, the state will remain in the future as effective, and will be as essential, as it has ever been.

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Are Human Rights Universal?

Thomas M. Franck

THE RISE OF CULTURAL EXCEPTIONALISM

In May 2000, the Taliban, who rule most of Afghanistan, ordered a mother of seven to be stoned to death for adultery in front of an ecstatic stadium of men and children. The year before, the House of Lords—Britain's highest court—had allowed two Pakistani women accused of adultery to claim refugee status in the United Kingdom, since they risked public flogging and death by stoning at home. Women today are denied the vote and the right to drive cars in several Arab states, and harsh versions of shari`a (Islamic law) punishment are spreading to Sudan, Nigeria, and Pakistan.

Still, the Taliban's repression remains in a class by itself: denying women the right to leave home except when accompanied by a brother or husband and forbidding them all access to public education. Not only do the Taliban seek to spread their militant vision to other states, they also demand to be left alone to implement their own religious and cultural values at home without foreign interference. Leaders in Kabul insist that they not be judged by the norms of others—especially in the West.

Of course the Taliban are not the only ones to reject outside scrutiny. Florida's government, after frying several prisoners in a faulty electric chair, has only reluctantly turned to other methods of execution

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to conform to the U.S. Constitution's prohibition of "cruel and unusual punishment." Yet when America's Western allies tell it that the U.S. system of capital punishment is barbaric, local politicians and courts reply that it is their way and no one else's business. Which is precisely what the Taliban say.

This is not to indulge in what Jeane Kirkpatrick, a former U.S. permanent representative to the U.N., has called the "sin of moral equivalence." The United States is not Afghanistan. What the Islamic fundamentalist regime is doing there violates well-established global law. Article 7 of the International Covenant on Civil and Political Rights (ICCPR) echoes the U.S. Constitution in proclaiming that "no one shall be subject to cruel, inhuman, or degrading treatment or punishment," which certainly covers stoning and flogging—but not execution by lethal injection or (functioning) electric chair. And the 1980 Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) prohibits almost everything the Taliban have done to subordinate women.

The difference has been widely recognized. In October 1999, the U.N. Security Council duly censured the Taliban by a unanimous resolution. The General Assembly, too, has shown its disapproval by refusing to accept the credentials of the Taliban's delegation. But Taliban leaders and other radical fundamentalists in Pakistan, Sudan, and elsewhere reply to such condemnation by arguing that their codes have reintroduced social cohesion, decency, and family values into societies corrupted by colonialism and globalization. They point scornfully to the degradation of Western women through pornography, prostitution, and other forms of exploitation, and argue that their wives and daughters have been liberated from public obligations to focus instead on home and family.

Although huge differences in degree do exist between repression in Afghanistan and executions in Florida, the point is that the arguments of Islamic extremists parallel those used by U.S. courts and politicians: namely, that states have a sovereign right to be let alone and not be judged by international human rights standards. The United States insists, for example, on the right to execute persons who committed crimes as minors. Never mind that this violates U.S. obligations under the ICCPR. It is the American way, representing American values and ethics.

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Such assertions are made nowadays by many varieties of cultural exceptionalists. For most of the 55 years since the collapse of Hitler's own extravagant form of cultural exceptionalism, this sort of claim tended to be suppressed, or at least muted. The Universal Declaration of Human Rights and the several ensuing legal treaties setting out civil, political, cultural, and economic rights as well as the rights of children, women, ethnic groups, and religions, were meant to create a global safety net of rights applicable to all persons, everywhere. Although these legal instruments allow some restrictions in time of national emergency, they brook no cultural exceptionalism.

But more and more, such universalist claims are being challenged. And so the argument must be joined: are human rights truly universal, or are they a product of the decadent West that has no relevance in other societies?

COMMON CAUSE

THE POSTWAR FLOURISHING of human rights has featured two dynamic elements: globalization and individualization. Against both a backlash has emerged.

Globalization has been achieved by drafting basic codes of protection and, to the extent possible in a decentralized world, by monitoring and promoting compliance. Inevitably, this scrutiny has come into conflict with notions of state sovereignty. When the Commission of Experts overseeing compliance with the ICCPR found Jamaica to have violated the treaty through its administration of the death penalty, Jamaica responded by withdrawing from the ICCPR provision that allows individuals to make complaints to the commission. Jamaica's defense in that case was typical: respect our culture, our unique problems. When it comes to the treatment of our own people, we want sovereignty, not globalism.

Sovereignty, however, is not what it used to be. Beginning in the mid-1950s, the global system began to take humanitarian crimes more seriously. The U.N. barely hesitated before telling even quite seriously sovereign states—Belgium, the United Kingdom, France, the Netherlands, and the United States—to emancipate their colonies. And they did. By 1965, the Security Council was imposing mandatory sanctions on a white racist regime in Rhodesia and, in 1977, on South

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AP/WIDE WORLD PHOTOS

Afghan family values? Women waiting in line at a Red Cross distribution center, Kabul, November 1996

Africa—although they, too, had asked in vain to be let alone to pursue the cultural exceptionalism of apartheid.

By last fall, the secretary-general of the U.N., Kofi Annan, felt emboldened enough to tell the General Assembly that their core challenge was

> to forge unity behind the principle that massive and systematic violations of human rights—wherever they may take place—should not be allowed to stand. . . . If states bent on criminal behavior know that frontiers are not the absolute defense; if they know that the Security Council will take action to halt crimes against humanity, then they will not embark on such a course of action in expectation of sovereign immunity.

Annan called for a redefinition of national interests that will "induce states to find far greater unity in the pursuit of such basic [U.N.] Charter values as democracy, pluralism, human rights, and the rule of law."

This bold call drew quite a hostile reaction from member states. Governments seeking to preserve their sovereignty, however, are not the only ones offended by this most recent call for the enforcement of global values. Some cultures perceive the global human rights

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canon as a threat to their very identity. The Taliban may brandish national sovereignty as a shield, but they also see themselves as militant guardians of a religion and culture that should be exempted from a "Western" system of human rights that is inimical to Islam as they practice it. Other governments, notably Singapore's, have similarly advanced their claim of exceptionalism by referring to "Asian values" that are supposedly antithetical to universal or Western norms.

In taking a stand against global human rights, the Taliban have made common cause not with the tired nationalist defenders of state sovereignty, but with a powerful and growing subset of cultural exceptionalists. These include some traditional indigenous tribes, theocratic national regimes, fundamentalists of many religions, and surprisingly, a mixed bag of Western intellectuals who deplore the emphasis placed by modern human rights rhetoric on individual autonomy. Although these exceptionalists have little else in common, they share an antipathy for the whole human rights system: the treaties, intergovernmental assemblies, councils, committees, commissions, rapporteurs of the secretary-general, and the supporting coterie of nongovernmental organizations (NGOs), each seeking to advance the cause of personal self-determination and individual rights. The exceptionalists view this system as corrosive of social cohesion and a solvent of community, eroding the social customs and traditions that become unsustainable once the individual ceases to be subordinate to the group.

RIGHTS OR RESPONSIBILITIES?

ALTHOUGH THE STRUGGLE for human rights as seen through the prism of, say, Amnesty International or Human Rights Watch looks like a tug of war between governments and individual dissidents, the real action has moved elsewhere: to the battle lines between the forces of communitarian conformity and the growing network of free-thinking, autonomy-asserting individualists everywhere. And although a physical struggle is undoubtedly occurring for control of Chechnya's hills, the Khyber Pass, and the White Nile, a crucial intellectual struggle is also being waged between the forces of Lockian individual liberty and those championing communitarian values.

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The communitarian argument is well paraphrased by professor Adeno Addis of Tulane University: "One cannot have a right as an abstract individual. Rather, one has a right as a member of a particular group and tradition within a given context." To this Princeton's Michael Walzer adds that the recent emphasis on individual rights has fostered a "concept of self that is normatively undesirable" because it "generates a radical individualism and then a radical competition among self-seeking individuals." This, Addis asserts, "breeds social dislocation and social pathology among members of the group."

Harvard professor Michael Sandel, in his recent book *Democracy's Discontent,* criticizes the accommodations made by U.S. law—judge-made law, in particular—to an ethos of individual rights that, he claims, undermines the civic virtues that sustain Americans' sense of communal responsibility. Sandel complains that the emphasis placed on individualism in recent years has neutered the state and elevated personal rights above the common good. At the international level, Malaysian Prime Minister Mahathir bin Mohamad espouses a variation on the same theme. In 1997, he urged the U.N. to mark the fiftieth anniversary of the Declaration of Human Rights by revising or, better, repealing it, because its human rights norms focus excessively on individual rights while neglecting the rights of society and the common good. Meanwhile, Australia's former prime minister Malcolm Fraser has dismissed the declaration as reflecting only the views of the Northern and Eurocentric states that, when the declaration was adopted in 1948, dominated the General Assembly. Former German Chancellor Helmut Schmidt, too, says that the declaration reflects "the philosophical and cultural background of its Western drafters" and has called for a new "balance" between "the notions of freedom and of responsibility" because the "concept of rights can itself be abused and lead to anarchy."

BUILDING NEW BONDS

THE ARGUMENT against this cultural relativism weaves together three strands. The first demonstrates that those advancing the exceptionalist claim do not genuinely and legitimately represent those on whose behalf that claim is made. The second shows that human rights are grounded not in a regional culture but in modern transcultural

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social, economic, and scientific developments. And the third maintains that individual rights are not the enemy of the common good, social responsibility, and community but rather contribute to the emergence of new, multilayered, and voluntary affiliations that can supplement those long imposed by tradition, territory, and genetics.

First, the matter of exceptionalist legitimacy—or the lack thereof. Many prominent voices in non-Western societies reject the claims of exceptionalists who supposedly speak for them. Sri Lanka's president, Chandrika Kumaratunga, points out that "the free market has become universal, and it implies democracy and human rights." She dismisses talk about "a conflict of values" as "an excuse that can be used to cover a multitude of sins." Dato' Param Cumaraswamy, the former chair of the Malaysian Bar Council and a U.N. special rapporteur on the independence of judges, points to widespread non-Western ratification of human rights treaties as proof of their "universal acceptance." Former U.N. Secretary-General Boutros Boutros-Ghali bluntly states that there "is no one set of European rights, and another of African rights. . . . They belong inherently to each person, each individual."

How, then, does one explain the increasing frequency and vehemence of exceptionalist claims made on behalf of culturally specific "values?" It often turns out that oppressive practices defended by leaders of a culture, far from being pedigreed, are little more than the current self-interested preferences of a power elite. If Afghan women were given a chance at equality, would they freely choose subordination as an expression of unique community values? We are unlikely to find out.

Some guidance can be drawn, however, from the parallel case of Sandra Lovelace, a Maliseet Indian from New Brunswick. Under Canadian law, which incorporates Indian customary law, she lost her right to live on tribal land when she "married out" of the tribe. When Lovelace took her complaint to the ICCPR's Human Rights Committee, she pointed out that no similar penalty applied to men. The global group of experts upheld her claim. Pushed to conform to its international human rights obligations, the Canadian government then repealed the gender-discriminatory Indian law. Although that change disturbed some traditionalist leaders, they were soon repudiated in monitored tribal elections. As with much that passes for authentic custom, the rules turned out to have been imposed, quite recently, by those who stood

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to benefit. Discrimination against women by the Maliseet, far from being a traditional requisite of group survival, was shown by recent anthropological research to have been copied from male-dominated Victorian society.

In a similar fashion, many of the exceptionalist claims made in the name of cultural diversity have been challenged by others in the non-Western world. Radhika Coomaraswami, the U.N. special rapporteur on violence against women, says that practices such as female genital mutilation, flogging, stoning, and amputation of limbs, as well as laws restricting women's rights to marriage, divorce, maintenance, and custody, are all inauthentic perversions of various religious dogmas. Moreover, she insists that "cultural diversity should be celebrated only if those enjoying their cultural attributes are doing so voluntarily." In her landmark study of Islam and human rights, Professor Ann Elizabeth Mayer concludes that much of the pedigree claimed by fundamentalists does "not represent the result of rigorous, scholarly analysis of Islamic sources or a coherent approach to Islamic jurisprudence." The Egyptian art historian Professor Nasr Abu-Zaid puts it simply: "It is the militants who are … hijacking Islam."

Just as many of the idiosyncratic customs that alienate non-Western traditionalists from the human rights system are inauthentic, so too are the attempts to portray these rights as aspects of Western cultural imperialism. The human rights canon is full of rules that, far from being deeply rooted in Western culture, are actually the products of recent developments—industrialization, urbanization, the communications and information revolutions—that are replicable anywhere, even if they have not occurred everywhere at once. They are hardly Western; if examined historically, traditional Western culture comes to look more like everyone else's zealous fundamentalism. Look closely through this lens, and even the Taliban begin to seem "Western" in their practices. Alcibiades, a commander of the Athenian army, was condemned to death for impiety in 415 B.C., as was Socrates years later. And remember that stoning for blasphemy is recommended by the Old Testament (Leviticus 24: 16).

As this suggests, there is nothing remotely Western about religious freedom and tolerance. Islamic fundamentalists insist that tolerance is not for them, that non-Muslims must not be allowed to proselytize in their societies, that Islam's followers may not exit the "true" religion,

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and that blasphemy is to be punished severely. As it happens, Western Christian civilization insisted on much the same for most of its first two millennia. St. Augustine, citing his favorite text ("Compel them to come in," Luke 14: 16–23), advocated death for heretics. According to St. Thomas Aquinas, heretics "by right ... can be put to death and despoiled of their possessions ... even if they do not corrupt others, for they are blasphemers against God" and thus commit "high treason." There was certainly no trace of religious toleration in Tudor England, where, during the first hundred years after the establishment of the Church of England, hundreds were executed by zealots. During the brief restoration of Catholicism under Queen Mary (1553–58), 273 subjects, including 4 bishops and an archbishop, were burned for heresy. Meanwhile, in Geneva, the reformer John Calvin was executing the anti-Trinitarian Michael Servetus. Back in Britain, under Cromwell's Protectorate, dissenting Protestants were jailed, whipped, hanged, or had their tongues bored through with hot irons at the insistence of the Presbyterian establishment. And in the 1729 case of *Rex v. Woolston*, Sir William Blackstone, the great jurist of the common law, declared blasphemy a criminal libel, a "public affront to religion and morality, on which all government must depend for support."

There is nothing remotely Western about religious freedom and tolerance.

Nor are such events limited to ancient history. The last blasphemy prosecution to have succeeded in England was brought in 1979 against James Kirkup, a poet teaching at Amherst who depicted Jesus as homosexual. In the House of Lords, his conviction was sustained by Lord Scarman, who thought it essential to protect "religious beliefs ... from scurrility, vilification, ridicule, and contempt."

In the United States, criminal blasphemy convictions resulting in imprisonment, with solitary confinement and large fines, were imposed throughout the nineteenth century under state or common law. In New York in 1811, Chief Justice James Kent admonished a convicted blasphemer "that we are a Christian people, and the morality of the country is deeply ingrafted upon Christianity and not upon the doctrines of worship of those impostors Mahomet and the Grand Lama." Kent himself was a Unitarian, nowadays a rather liberal faith,

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but he believed that religion was the bulwark of social order and that expressions of irreligiosity had to be punished because they "strike at the roots of moral obligation, and weaken the security of the social ties." Ayatollah Khomeini could not have said it better.

Other parts of the human rights canon have little more claim to being "Western" than does freedom of religion. France did not extend the franchise to women until the end of World War II. Harvard Law School began admitting women only in the 1950s. The first American female candidate for a medical degree was Elizabeth Blackwell, who graduated from a rural medical college in Geneva, New York, in 1849 but had to complete her training in Paris. Slavery, sanctioned by the Old Testament (Exodus 21: 2, 26, 27, 32), was abolished in the United States only in 1865, and the Supreme Court ruled in 1897 that sailors could be compelled, on pain of criminal penalties, to perform indentured labor because, as a class, they were "deficient in that full and intelligent responsibility for their acts which is accredited to ordinary adults" and should thus be recommitted to ship-owners as their putative "parents and guardians."

What brought about the transformation to personal autonomy in religion, speech, and employment as well as equal legal rights for the races and sexes? Although these recent developments occurred first in the West, they were caused not by some inherent cultural factor but by changes occurring, at different rates, everywhere: universal education, industrialization, urbanization, the rise of a middle class, advances in transportation and communications, and the spread of new information technology. These changes were driven by scientific developments capable of affecting equally any society. It is these trends, and not some historical or social determinant, that—almost as a byproduct—generated the move to global human rights.

In the United Kingdom, it was the growth of a capitalist middle class in the eighteenth-century Industrial Revolution that fueled the demand for quality children's education and thereby compelled the admission of women to the teaching profession. In the United States, the demographic consequences of the Civil War gradually forced an opening for women in medicine and law. After World War II, veterans' benefits and the need for a large peacetime army profoundly affected the opportunities of African Americans. Improved and cheaper trans-

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portation loosened the ties that long bound people to the place where they were born and generated a demand for the right to travel and emigrate. The advent of information globalization through CNN and the Internet has profoundly affected individual participation in discourses on foreign and domestic politics, just as the invention of the printing press and Gutenberg's vulgate Bible unleashed the social forces leading to the Reformation.

These changes, wherever they have occurred, have boosted the capacity for individual autonomy and, in consequence, fueled the demand for more personal liberty. Does this trend, as the cultural exceptionalists warn, presage the unraveling of community and social responsibility? Elites in authoritarian societies have always professed to think so. When, in 1867, the Boston School Committee rejected a petition signed by, among others, Harvard President Thomas Hill and the poet Henry Wadsworth Longfellow calling for abolition of corporal punishment, the committee, employing the common Benthamite communitarian litany, defended beatings as advancing "the greatest good of the greatest number." Modern individualists, however, believe that the good of the greatest number should not be achieved by sacrificing the human rights of even the smallest number. They also believe that, set free of unnecessary communal constraints, individuals will not retreat into social anomie but, on the contrary, will freely choose multilayered affinities and complex, variegated interpersonal loyalties that redefine community without the loss of social responsibility.

Modern human rights–based claims to individual autonomy arise primarily not out of opposition to community, but from the desires of modern persons to use intellectual and technological innovations to supplement their continued traditional ties with genetically and geographically based communities. Liberated from predetermined definitions of racial, religious, and national identities, people still tend to choose to belong to groups. This threatens the state and the traditional group only to the extent that traditional communities are no longer able, alone, to resolve some of the most difficult global problems facing humanity: epidemics, trade flows, environmental degradation, or global warming. Few quarrel with Aristotle's observation that "he who is unable to live in society, or who has no need because he is sufficient for himself, must be either a beast or a God." But many,

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freed to do so, now define themselves, at least in part, as "new communitarians," seeking additional transnational forums of association.

According to policy analyst Hazel Henderson, "Citizen movements and people's associations of all kinds cover the whole range of human concerns. ... The rise of such organizations [is] one of the most striking phenomena of the twentieth century." For example, whereas there were 5 international NGOs in 1850 and 176 in 1909, now more than 18,000 are listed by the U.N., which reports that "people's participation is becoming the central issue of our time." Most of these NGOs, from Médecins Sans Frontières to the International Confederation of Free Trade Unions, are engaged globally in socially responsible activities that promote the well-being of others.

JOINING THE BATTLE

IT APPEARS, then, that the globalization of human rights and personal freedoms is rarely an affront to any legitimate interest in cultural self-preservation. Nor do human rights represent Western cultural imperialism; instead, they are the consequence of modernizing forces that are not culturally specific. And the social consequences of expanding human rights have been far more benign than traditional communitarians have feared. To the Taliban's claim of cultural exceptionalism one might more specifically reply, first, that the Taliban's interpretation of the culture they claim to defend is considered incorrect by most Islamic historians and theologians; second, that their claim to speak on behalf of Afghan culture is undermined by their silencing of half the population; third, that the force of individual rights is becoming irresistible in a world of globalizing fiscal, commercial, cultural, and informational forces; and fourth, that many persons freed to choose their own identities will still decide to affiliate along religious, cultural, and national lines.

These arguments are unlikely to carry weight, however, with those whose claim of cultural exceptionalism is only a flimsy disguise for totalitarian tendencies. To some, the problem with freedom is not cultural or social, but political. After the recent victory of reformists in the Iranian parliamentary elections, for example, Ayatollah Mesbah-Yazdi reportedly said that the victorious reformers were

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more dangerous to the system than a military coup because they promote greater freedom for Iranians to write, read, and behave as they wish. Such an argument is hard to refute. It will be overcome, eventually, by the irresistible forces of modernization and the demands for personal freedom those forces unleash. Meanwhile, however, it is essential to defend the universality of human rights and expose and oppose cultural exceptionalism's self-serving fallacies.

But why bother? If the global triumph of human rights truly is predestined, encoded in the genome of scientific and technological progress, why not simply await the inevitable? One answer is that waiting is immoral. In the short run, scientific and technological progress may actually strengthen the hand of oppression. For women in Afghanistan, Kurds in Iraq, Indians in Fiji, and others, their inevitable liberation is still far away and provides scant comfort.

In harder strategic terms, too, waiting is a flawed approach. Autocratic elites have learned to fight historical inevitability by destroying the engines of social progress. The cultural Luddites of the Taliban, by disempowering women and dismantling their society's educational and health infrastructure, hope to delay their own eventual overthrow. Idi Amin had that in mind when he demolished Uganda's Indian mercantile community in the 1970s. Pol Pot almost succeeded with a similar project in Cambodia. And George Speight recently pursued the same goal in Fiji. Each sought to catapult society back to a premodern age when race or class purification justified everything.

Waiting for the inevitable globalization of personal freedoms is also made untenable by the reviving militance of cultural exceptionalism. From the Balkans to the Horn of Africa, from the southern tier of the former Soviet Union to western China, from Indonesia to Mindanao in the Philippines, extremist tribalism is on the rise. To the extent that this is a political problem—the use of terrorism and the export of guns and money—it must be countered by political and economic support for the governments and societies that firmly oppose it.

When such measures fail, international, regional, governmental, and nongovernmental means must be mobilized to carry on the fight against the more egregious forms of cultural oppression. There is no one-size-fits-all solution. In the instance of the Taliban, the U.N. has wielded the stick of nonrecognition and the carrot of food relief. It

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withdrew relief agencies when Afghan women were arrested for working with its field offices, and it sent them back when those measures were revoked. When a racist government comes to power—such as Speight's recent junta in Fiji—the international community has many sanctions that can be deployed to protect universal values. These range from diplomatic nonrecognition to the suspension of air traffic and the withholding of World Bank loans, International Monetary Fund credits, and bilateral trading privileges. They should be used.

Such steps could, for a time, harden the resolve of the cultural extremists. The principal objective of a concerted strategy against cultural extremism, however, must not be the quick reversal of any one outbreak of racism or intolerance, but the forging of a unified global stance against radical cultural exceptionalism in general.

This process will not be easy, for when it comes to global human rights norms, even some U.S. politicians, judges, and intellectuals are quite skeptical of universalism. And a superficial but subtly effective nexus joins the cause of cultural exceptionalism and other forms of resentment against globalization and its alleged parent: Western, or U.S., hegemony. For example, it is not always readily apparent to people why, if France claims the right to protect its culturally unique movie industry, Afghanistan should not protect its policy on women. Leaders of liberal societies everywhere—political, intellectual, industrial—are being challenged to defend values and clarify distinctions they may have assumed were self-evident.

If the fight against cultural exceptionalism is to be made effective, it needs military and fiscal resources. It needs a common strategy involving governments, intergovernmental organizations, NGOs, business, and labor. But let there be no mistake: the fight is essentially one between powerful ideas, the kind that shake the pillars of history. It is a deadly earnest conflict between an imagined world in which each person is free to pursue his or her individual potential and one in which persons must derive their identities and meanings exclusively in accordance with immutable factors: genetics, territoriality, and culture.

This, then, is a wake-up call. Waging this war of ideas successfully—and it cannot be evaded or postponed for long—will require intellectual rearmament for thinkers lulled by the warm, fuzzy triumph of liberalism and the supposed end of ideology.

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Review Essay

The Spirit of Capitalism

Robert J. Samuelson

The Mystery of Capital: Why Capitalism Succeeds in the West and Fails Everywhere Else. BY HERNANDO DE SOTO. New York: Basic Books, 2000, 245 pp. $27.00.

Culture Matters: How Values Shape Human Progress. EDITED BY LAWRENCE E. HARRISON AND SAMUEL P. HUNTINGTON. New York: Basic Books, 2000, 348 pp. $35.00.

THE TRIUMPHANT RELIGION of the twentieth century was not Christianity or Islam but economic growth. Over the decades, governments throughout the world jumped onto the growth bandwagon as a way to expand national power, relieve abject poverty, and create social justice. True, they argued and fought over the best way for societies to create and distribute wealth. Communism, capitalism, and socialism in their various forms all vied for supremacy. But now a consensus seems to have emerged. Free trade, free markets, and international investment are the intellectually anointed paths to prosperity. Communism and socialism are definitely out.

Yet the consensus is more fragile than it seems. Not only are there conspicuous dissenters, most visibly the street protesters in Seattle

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and Prague; there is also the inconvenient fact that today's global capitalism has yet to produce anything like universal prosperity. Much of humanity still lies in the grip of extreme poverty. The World Bank estimates that 1.2 billion people—a fifth of the world's population—live on less than $1 a day. Worse, little progress has been made since the late 1980s, when the new global capitalism began flourishing. From 1987 to 1998, the share of sub-Saharan Africa's population living on less than $1 a day remained constant at around 46 percent. The story was the same in Latin America and the Caribbean, where the poverty rate stayed steady at about 16 percent from 1987 to 1998. In South Asia, it fell from 45 to 40 percent, but that region's rapid population growth added 50 million people to the ranks of the poor. Only East Asia (including China) experienced notable success, with the region's poverty rate dropping from 27 to 15 percent.

The truth is that global capitalism's benefits are spotty. Some societies have not tried it, and elsewhere others have achieved only scant success. Global capitalism faces an "hour of crisis," contends the Peruvian development expert Hernando de Soto in *The Mystery of Capital,* because countries as different as Russia and Venezuela are disillusioned by failed excursions into market economics.

To explain what has gone wrong, de Soto argues that global capitalism cannot succeed without local capital—and therein lies the rub. Global capitalism's orthodox remedies—balanced budgets, free trade, foreign investments, and stable currencies—are not everything. Although they can aid economic growth, local development is decisive for success. But local development founders in most poor nations because a critical catalyst, local capital, is missing. Property rights remain primitive, and what little the poor do have (assets such as huts or small businesses) cannot be used as capital to propel economic growth.

In country after country in the developing world, squatters' rights prevail because the obstacles to obtaining legal titles defeat most of the poor. As de Soto explains,

> In Egypt, the person who wants to acquire and legally register a lot on a state-owned desert land must wend his way through at least 77 bureaucratic procedures at 31 public and private agencies. ... This explains why 4.7 million Egyptians have chosen to build their dwellings illegally.

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> If, after building his home, a settler decides he would now like to be a law-abiding citizen and purchase the rights to his dwelling, he risks having it demolished, paying a steep fine and serving up to 10 years in prison.

Egypt is no exception. In Peru, building a home on state-owned land requires 207 procedural steps at 52 government offices, says de Soto. In Haiti, obtaining a lease on government land—a preliminary requirement to buying—takes 65 steps.

According to de Soto, clearly defined property rights generate what economists call positive externalities, or benefits shared by everyone. Not only do property rights help people borrow more easily, because property can be pledged as formal collateral; they also create information needed by markets. If property rights are recorded, for example, utility companies can deliver power and bill customers more easily. But without such rights, markets are untapped and commerce is disconnected from much of the legal system. People deal only with those they know and trust or through informal associations that substitute for formal law. Extralegal arrangements flourish because they are essential for survival. Some of these arrangements are ethical, but others are corrupt. In Peru, for example, bribes raise the cost of running a small business by 10 to 15 percent, de Soto writes.

Aside from depressing economic growth, the denial of property rights destroys any constituency for popular capitalism. Some wealthy investors do enjoy property rights and legal capital. "But they are only a tiny minority—those who can rely upon the expert lawyers, insider connections, and patience required to navigate the red tape," de Soto says. This makes "capitalism a private club, open only to a privileged few, [enraging] the billions standing outside looking in."

LAW AND (DIS)ORDER

De Soto's book rings true when it describes how grand theories of development stumble on crippling practical details. It builds on his 1989 work, *The Other Path,* which convincingly revealed the widespread informal or underground economies in many poor countries. That book's argument was similar, noting that the bureaucratic difficulties in creating legal businesses usually compel the poor to skip the process. They instead establish small businesses with few, if any, of

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the necessary permits or licenses. In the informal economy, street vendors, taxicabs, small bus services, shops, tiny factories, and urban marketplaces predominate.

De Soto's insight has clearly influenced developmental economics. A recent study by four economists (three from Harvard, one from the World Bank) examined regulations affecting the certification of new businesses in 75 countries. The study found that government obstacles to creating firms in most of those countries are "extremely cumbersome, time-consuming, and expensive." On average, they require 63 business days to fulfill, assuming an unrealistic absence of delays. Bribes and corruption seem to correspond loosely to the level of regulation.

Unfortunately, de Soto strains too much. He wants to make property rights—or their absence—the center of everything. Some societies, mainly in the United States and Europe, have indeed developed workable property rights regimes. Others, mainly in Africa and Latin America, have not. The first group has prospered; the second has floundered. (De Soto generally omits Asia, except for some references to Indonesia and the Philippines.) He concludes that if countries can convert squatters' property into legal property, they can make capitalism work. This transition is difficult, de Soto admits, because many politicians, lawyers, and property owners profit from the status quo and oppose change. Still, expanding property rights remains the secret to unlocking development.

De Soto's logic implicitly accepts a standard economic assumption: human nature is universal: Confronted with the same incentives, people everywhere will respond similarly. But human nature is not uniform. It is molded by history, geography, religion, climate, and tradition—all the influences that create culture. Peoples around the globe have different values, beliefs, and customs. They behave differently and create societies with different legal and political systems. This observation is mere common sense, but it also suggests a politically incorrect conclusion: Some societies may be more culturally friendly to economic growth than others. The same forces that affect property rights systems may, for better or worse, also affect enterprise, invention, and material accumulation.

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CULTURE CLUB

In April 1999, the Harvard Academy for International and Area Studies held a three-day symposium on culture and development. The conference's highly readable papers, collected in *Culture Matters,* offer an intriguing counterpoint to de Soto. "The revolution of economic development occurs when people go on working, competing, investing, and innovating when they no longer need to be rich," argues Mariano Grondona, an Argentine political scientist and columnist. This revolution can happen only if the values that promote prosperity—he lists 20, including competition, innovation, and hard work—do not disappear when that prosperity first arrives. Trust in the individual is also essential:

> If individuals feel that others are responsible for them, the effort of individuals will ebb. If others tell them what to think and believe, the consequence is either a loss of motivation and creativity or a choice between submission or rebellion. However, neither submission nor rebellion generates development. Submission leaves a society without innovators. And rebellion diverts energies away from constructive efforts toward resistance. ...

Carlos Alberto Montaner, an exiled Cuban writer, takes a similar approach in his paper, noting that the rapid growth of the once-impoverished Asian nations has shown that "Latin America had fundamentally misunderstood the keys to prosperity." Part of the blame, he argues, falls on the region's political, religious, military, and business elites, under whom governmental corruption flourishes and people operate outside the law. But the values of these elites often reflect their society's norms, for "a large percentage of Latin Americans either nurture or tolerate relationships in which personal loyalty is rewarded and merit is substantially ignored." The Catholic clergy—especially proponents of liberation theology—still attack poverty while condemning "the profit motive, competition, and consumerism," undermining the psychology of success.

The general point is not that some societies are completely impervious to commercial incentives or international influences such as trade, investment, technology, or even property rights. It is that some cultures accept these ideas more readily than others, and that different cultures often promote commerce and enterprise differently. This was certainly true in Asia, as the Harvard scholar Dwight Perkins notes in another essay in this vol-

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ume. Close personal relations and family ties there helped foster economic development, he argues. They created the very same security and trust needed for trade relationships that laws and an independent judiciary had fostered in the West. In the postwar era, the reliance on family-dominated firms meant that many Asian nations "did not have to wait until they had a well-developed commercial law system before growth could accelerate."

The problem, Perkins says, is that Asia outgrew this system. One-time strengths became the weaknesses that contributed to the 1997–98 Asian financial crisis. As economies expanded, intimate family-business ties bred intimate business-government ties. On the one hand, this faith in government helped promote a high rate of investment. On the other hand, it inspired excessive risks that ultimately threatened entire economies. Companies took for granted that they could rely on government help if necessary, so they increasingly pursued shaky investment strategies.

What does exist—in the real world, not textbooks—is cultural economics. People around the globe respond to rewards and penalties, but the rewards and penalties vary among different cultures. Economic incentives and cultural imperatives are constantly interacting and colliding with each other. This is what makes economic development such a fascinating and frustrating subject: no two countries are exactly alike. Even within countries, different regions and different groups have different experiences. A central characteristic of African culture, for example, is the individual's subordination to the community. As the Cameroonian scholar Daniel Etounga-Manguelle writes,

> African thought rejects any view of the individual as an autonomous and responsible being. The African is vertically rooted in his family, in the vital ancestor, if not in God; horizontally, he is linked to his group, to society.

If all this seems too abstract, consider the personal story of an American nurse who spent several years in Malawi in the 1990s as a Peace Corps volunteer. In a letter to this reviewer, she described how individual accountability seemed a largely alien concept:

> Malawians are a lovely people who value social relationships above all else. My job was to teach Western-style management skills to the nursing and administrative staff [of a local hospital]. As part of a management skills training course, I instituted the disciplinary process that was on the books but unused since the British left in 1964. After a week, the

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supervisors returned and flatly refused to try and better supervise their employees using a disciplinary process. Why? The employees had put a "curse" on them, and they were frightened.

Culture modifies de Soto's sweeping conclusions. His is a "single bullet" theory of development, when the process is far murkier. Property rights are not the be all and end all of progress but a simple reflection of the larger culture. Consider de Soto's appraisal of America as a case in point. He argues that many developing countries today resemble the United States before the Civil War. Many nineteenth-century Americans owned property without clear legal title. Settlers were often squatters, and miners frequently made property claims that lacked the force of law. In these cases, elaborate informal networks and associations arose to catalogue and legitimize informal property rights. America's genius lay in its eventual merging of informal and formal property rights. Over time, Congress enacted laws that gave legal status to informal but verifiable claims. People could borrow and build on success, and economic development flourished.

The challenge for many developing countries now, de Soto contends, is to imitate this example. If they can somehow convert informal property rights into legal property rights, they too can enjoy the benefits of more rapid economic development. This prescription may be correct. But de Soto never asks why the United States accomplished this feat, whereas so many developing countries have not. What is more likely is that American culture—the enthusiasm for material advance, the faith in democracy, and the belief in the sanctity of property—created a climate in which change was possible. In turn, these same beliefs and values (along with rich natural resources) explain U.S. economic success and suggest that the story of property rights is only an interesting sideshow.

The world today lacks a consensus on how to create economic growth because the proven way—capitalism, even modified by the welfare state—is a peculiar creation of Western culture. It is an approach that, if not inherently alien to other cultures, is at least unfamiliar and unnatural. But this does not mean that it cannot be adopted or altered elsewhere to generate large economic gains. Forty years ago, after all, much of Asia was considered a basket case. Asia's success offers at least the hope that capitalism is sufficiently malleable to be made compatible with different cultures—even if the process is neither predictable nor preordained.

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Toward Global Parliament

Richard Falk and Andrew Strauss

CHALLENGING THE DEMOCRATIC DEFICIT

ONE CRUCIAL aspect of the rising disaffection with globalization is the lack of citizen participation in the global institutions that shape people's daily lives. This public frustration is deeper and broader than the recent street demonstrations in Seattle and Prague. Social commentators and leaders of citizens' and intergovernmental organizations are increasingly taking heed. Over the past 18 months, President Clinton has joined with the secretary-general of the United Nations, the director-general of the World Trade Organization (WTO), the managing director of the International Monetary Fund (IMF), and the president of the World Bank to call for greater citizen participation in the international order.

But to date, these parties have not clearly articulated a general vision of how best to integrate a public role into international institutions. So in the absence of a planned design, attempts to democratize the international system have been ad hoc, as citizen organizations and economic elites create their own mechanisms of influence. In domestic politics, interest-group pluralism flourishes within a parliamentary system of representation. In global politics, interest-group pluralism is growing, but no unifying parliament represents the public interest. This state of affairs cannot last in a world where the prevailing understanding of democracy does not accept the fact that unelected interest groups can speak for the citizenry as a whole. Any serious attempt to

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challenge the democratic deficit must therefore consider creating some type of popularly elected global body. Before globalization, such an idea would have been considered utopian. Now, the clamor of citizens to participate internationally can no longer be ignored. The only question is what form this participation will take.

DECISION-MAKING GOES GLOBAL

BEHIND THIS CLAMOR lies a profound shift in power. Thanks to trade, foreign direct investment, and capital flows, globalization is dispersing political authority throughout the international order. International governance is no longer limited to such traditional fare as defining international borders, protecting diplomats, and proscribing the use of force. Many issues of global policy that directly affect citizens are now being shaped by the international system. Workers can lose their jobs as a result of decisions made at the WTO or within regional trade regimes. Consumers must contend with a market in which state-prescribed protections such as the European ban on hormone-fed beef can be overriden by WTO regulations. Patients who need medicines pay prices influenced by WTO-enforced patent rules, which allow pharmaceutical companies to monopolize drug pricing. Most of the 23 million sub-Saharan Africans who have tested positive for the AIDS virus cannot afford the drugs most effective in treating their illness. They will die much sooner as a consequence.

For the half of the world's population that lives on less than $2 a day, governmental social safety nets have been weakened by IMF decisions. The globalized economy has not meaningfully reduced poverty despite a long period of sustained growth. Economic inequality is on the rise, as is the marginalization of regions not perceived as attractive trading partners or "efficient" recipients of investment. Furthermore, environmental trends pose severe dangers that can be successfully dealt with only through global action and treaties. Against such a background, it is little wonder that people who believe they possess a democratic entitlement to participate in decisions that affect their lives are now starting to demand their say in the international system. And global civil society has thus far been their voice as they attempt to have this say.

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CIVIL SOCIETY'S GLOBAL PRESENCE

CIVIL SOCIETY, made up of nonprofit organizations and voluntary associations dedicated to civic, cultural, humanitarian, and social causes, has begun to act as an independent international force. The largest and most prominent of these organizations include Amnesty International, Greenpeace, Oxfam, and the International Committee of the Red Cross; in addition, the U.N. now lists more than 3,000 civil society groups.

During the 1990s, these transnational forces effectively promoted treaties to limit global warming, establish an international criminal court, and outlaw antipersonnel land mines. These same actors also helped persuade the International Court of Justice to render an advisory opinion on the legality of nuclear weapons and defeat a multilateral investment agreement. More recently, civil groups mounted a drive to cancel the foreign debts of the world's poorest countries. Although these efforts remain works in progress, civil society to date has been indispensable in furthering them.

During the early 1990s, civil society's organizations began visibly cooperating at large international conferences of states. When conservative political pressures forced an end to these conferences, civil society began to coalesce to act cohesively and independently in the international arena. For example, 8,000 individuals representing civil society organizations met in May 1999 at the Hague Appeal for Peace to shape strategy and agree on a common agenda. Among those attending were such luminaries as Nobel Peace Prize winners Desmond Tutu, José Ramos-Horta, and Jody Williams. Similar smaller meetings in South Korea, Canada, Germany, and elsewhere followed.

These meetings were a prelude to the Millennium NGO Forum held at the United Nations in May 2000, to which U.N. Secretary-General Kofi Annan invited 1,400 individuals representing international civil society groups to present views on global issues and citizen participation in decision-making. The forum agreed to establish a permanent assembly of civil society organizations, mandated to meet at least every two to three years, before the U.N. General Assembly annual session. Although it is still to be realized, such a forum might earn recognition over time as an important barometer of world public

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opinion—and a preliminary step toward creating a global parliament. Regardless of how this specific forum develops, civil society will continue to institutionalize itself into an independent and cohesive force within the international system.

THE CORPORATE MOVERS

THROUGH expanding trade and investment, business and banking leaders have also exercised extraordinary influence on global policy. Even in formerly exclusive arenas of state action, these private-sector actors are making a mark. For example, Secretary-General Annan has made "partnering" with the business community a major hallmark of his leadership. The United Nations has now established a formal business advisory council to formalize a permanent relationship between the corporate community and the U.N.

As with citizen groups, elite business participation in the international system is becoming institutionalized. The best example is the World Economic Forum in Davos, Switzerland. In the 1980s, the WEF transformed itself from an organization devoted to humdrum management issues into a dynamic political forum. Once a year, a thousand of the world's most powerful business executives get together with another thousand of the world's senior policymakers to participate in a week of roundtables and presentations. The WEF also provides ongoing arenas for discussion and recommendations on shaping global policy. It is notable that Annan's ideas about a U.N. partnership with the business community have been put forward and endorsed during his frequent appearances at Davos. In addition, the WEF also conducts and disseminates its own research, which not surprisingly shows a consistently neoliberal outlook. For example, it produces a well-publicized annual index ranking the relative economic competitiveness of all countries in the world. The Davos assembly and overlapping networks of corporate elites, such as the International Chamber of Commerce, have been successful in shaping compatible global policies. Their success has come in the expansion of international trade regimes, the modest regulation of capital markets, the dominance of neoliberal market philosophy, and the supportive collaboration of most governments, especially those of rich countries.

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PONDERING A GLOBAL PARLIAMENT

GLOBAL CIVIL SOCIETY still cannot match the resources and power linkages of the corporate and banking communities. But many civil society groups have carved out niches within the international order from which to influence decision-making by relying on imagination and information. The evolution of these two networks—civil and business—has been largely uncoordinated, and it remains unclear how they could fit together in a functionally coherent and representative form of global governance. Neither can claim to represent citizenry as a whole. As global civil society acquires a greater international presence, its critics are already challenging its claims to represent the public interest. The charge of illegitimacy has even greater resonance when leveled at corporate and banking elites, who do not speak for organizations.

Now that the global system is increasingly held up to democratic standards—and often comes up short—those people who find their policy preferences rejected are unlikely to accept the system's determination as legitimate, and the democratic deficit will remain a problem. Only when citizen and business interests work together within an overarching representative body can they achieve policy accommodations that will be seen as legitimate. For the first time, a widely recognized global democratic forum could consider environmental and labor standards and deliberate on economic justice from the perspectives of both North and South. Even an initially weak assembly could offer some democratic oversight of international organizations such as the IMF, the WTO, and the World Bank.

Unlike the United Nations, this assembly would not be constituted by states. Because its authority would come directly from the global citizenry, it could refute the claim that states are bound only by laws to which they give their consent. Henceforth, the ability to opt out of collective efforts to protect the environment, control or eliminate weapons, safeguard human rights, or otherwise protect the global community could be challenged.

In addition, the assembly could encourage compliance with established international norms and standards, especially in human rights. The international system currently lacks reliable mechanisms to

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implement many of its laws. Organizations such as Amnesty International, Human Rights Watch, and even the International Labor Organization attempt to hold states accountable by exposing their failures of compliance, relying on a process often referred to as the "mobilization of shame." In exercising such oversight, a popularly elected global assembly would be more visible and credible than are existing watchdogs who expose corporate and governmental wrongdoing.

The assembly's very existence would also help promote the peaceful resolution of international conflicts. Because elected delegates would represent individuals and society instead of states, they would not have to vote along national lines. Coalitions would likely form on other bases, such as world-view, political orientation, and interests. Compromises among such competing but nonmilitarized coalitions might eventually undermine reliance on the current war system, in which international decisions are still made by heavily armed nations that are poised to destroy one another. In due course, international relations might more closely resemble policymaking within the most democratic societies of the world.

ALL THOSE IN FAVOR

IN SPITE of its advantages, would the formation of such an assembly threaten established state and business interests so much that its creation would become politically untenable? The European Union's experience suggests otherwise. Established by states—and with little initial authority—the transnationally elected European Parliament has now become powerful enough to help close a regional democratic deficit.

As with the early European parliament, a relatively weak assembly initially equipped with largely advisory powers could begin to address concerns about the democratic deficit while posing only a long-term threat to the realities of state power. Systemic transformation of world order that would largely affect successors would not significantly threaten those political leaders who are inclined to embrace democratic ideals. Indeed, it might even appeal to them.

Despite these humble origins, the assembly would have the potential to become an extremely important fixture of the global architecture.

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Upon the assembly's inception, civil society organizations would almost certainly lobby it to issue supportive resolutions. Groups who opposed such resolutions could shun the process, but that is not likely: they would concede the support of the world's only elected democratic body. Over time, as the assembly became the practical place for clashing interests to resolve differences, formal powers would likely follow.

Some business leaders would certainly oppose a global parliament because it would broaden popular decision-making and likely press for transnational regulations. But others are coming to believe that the democratic deficit must be closed by some sort of stakeholder accommodation. After all, many members of the managerial class who were initially hostile to such reform came to realize that the New Deal—or its social-democratic equivalent in Europe—was necessary to save capitalism. Many business leaders today similarly agree that democratization is necessary to make globalization politically acceptable throughout the world.

As the recent large street protests suggested, globalization has yet to achieve grassroots acceptance and legitimacy. To date, its main claim to popular support is not political but economic: it has either delivered or convincingly promised to deliver the economic goods to enough people to keep the antiglobalization forces from mounting an effective challenge. But economic legitimacy alone can rarely stabilize a political system for long. Market-based economic systems have historically undergone ups and downs, particularly when first forming. The financial crisis that almost triggered a world financial meltdown a few years ago will not be the last crisis to emerge out of globalization. Future economic failures are certain to generate political responses. Standing in the wings in the United States and elsewhere are politicians, ultranationalists, and an array of opportunists on both the left and the right who, if given an opening, would seek to dismantle the global system. A global parliament is therefore likely to serve as an attractive alternative to those people who, out of enlightened self-interest or even public-spiritedness, wish to see the international system become more open and democratic.

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MAKING IT HAPPEN

ALTHOUGH the raw political potential for a global assembly may exist, it is not enough. Some viable way needs to be found for this potential to be realized, and it can most likely be found in the new diplomacy. Unlike traditional diplomacy, which has been solely an affair among states, new diplomacy makes room for flexible and innovative coalitions between civil society and receptive states. The major success stories of global civil society in the 1990s—the Kyoto global warming treaty, the convention banning land mines, and the International Criminal Court—were produced in this manner.

Civil society, aided by receptive states, could create the assembly without resorting to a formal treaty process. Under this approach, the assembly would not be formally sanctioned by states, so governments would probably contest its legitimacy at the outset. But this opposition could be neutralized to some extent by widespread grassroots and media endorsement. Citizens in favor could make their voices heard through popular, fair, and serious elections.

Another approach would rely on a treaty, using what is often called the "single negotiating text method." After consultations with sympathetic parties from civil society, business, and nation-states, an organizing committee could generate the text of a proposed treaty establishing an assembly. This text could serve as the basis for negotiations. Civil society could then organize a public relations campaign and persuade states (through compromise if necessary) to sign the treaty. As in the process that ultimately led to the land mines convention, a small core group of supportive states could lead the way. But unlike that treaty, which required 40 countries to ratify it before taking effect, a relatively small number of countries (say, 20) could provide the founding basis for such an assembly. This number is only a fraction of what would be needed for the assembly to have some claim to global democratic legitimacy. But once the assembly became operational, the task of gaining additional state members would likely become easier. A concrete organization would then exist that citizens could urge their governments to join. As more states joined, pressure would grow on nonmember states to participate. The assembly would be incorporated into the evolving international

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constitutional order. If it gained members and influence over time, as expected, its formal powers would have to be redefined. It would also have to work out its relationship with the U.N. One possibility would be to associate with the General Assembly to form a bicameral world legislature.

The pressures to democratize the international system are part of an evolutionary social process that will persist and intensify. The two dominant themes of the post–Cold War years are globalization and democratization. It is often said that the world is rapidly creating an integrated global political economy, and that national governments that are not freely elected lack political legitimacy. It is paradoxical, then, that a global debate has not emerged on resolving the contradiction between a commitment to democracy and an undemocratic global order.

This tension may be the result of political inertia or a residual belief that ambitious world-governance proposals are utopian. But whatever the explanation, this contradiction is spurring citizen groups and business and financial elites to take direct actions to realize their aspirations. Their initiatives have created an autonomous dynamic of ad hoc democratization. As this process continues to move along with globalization, pressures for a coherent democratic system of global governance will intensify. Political leaders will find it more difficult to win citizen acquiescence to unaccountable policies that extend globalization's reach into peoples' lives. To all those concerned about social justice and the creation of a humane global order, a democratic alternative to an ossified, state-centered system is becoming ever more compelling.

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The Question of Hegemony

William Pfaff

AN IMPERIAL CONSENSUS

AN IMPLICIT ALLIANCE has emerged in Washington since the Cold War's end: internationalist liberals, anxious to extend American influence and to federate the world's democracies, and unilateralist neoconservatives, who believe in aggressive American leadership for the world's own good, have joined forces in what some call the New Wilsonianism.

The United States enjoys a hegemonic position in these first years of the new century, in terms of both its military power and its economic weight and dynamism. The technological capabilities of the former extend to something resembling a doomsday extermination of civilization, yet the exercise of American power has repeatedly proven incompetently conceptualized and directed, and in significant respects irrelevant to the world's military and political challenges.

Examples of such mishandling include not only the Vietnam War, the maladroit Central American and Caribbean interventions, and the Somalia fiasco, but also the 1999 intervention in Kosovo. There, NATO fought a war that proved to be different from the one Serbia was fighting, leaving the Serbian army intact while failing to prevent the purge of ethnic Albanians from Kosovo. In the end, Russian diplomatic intervention was required to produce an outcome that preserved NATO's reputation. The Kosovo campaign—well-meant but lacking coherent political direction or geopolitical vision, reliant on technology but recoiling from the risk of casualties—revealed an

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American approach to the exercise of power that is scarcely one of a determined hegemon. One of France's commanders in the Bosnia campaign, General Philippe Morillon, asked at the time, "How can you have soldiers who are ready to kill, who are not ready to die?"

A hegemonic spirit nonetheless underlies both the liberal activism and the neoconservative unilateralism evident in much of recent American foreign policy. It is behind the aggressive congressional initiatives to impose sanctions or boycotts on states regarded as miscreants—and even on allies insufficiently accommodating on trade. It was also responsible for the Clinton administration's program to enlarge NATO's membership and extend its operations "out of area," first to the Balkans and eventually beyond Europe. This essentially unilateralist initiative (the other NATO members reacted coolly to it) reflected a larger concept of extended American influence that has become the principal theme of post–Cold War policy thinking. Some even envisage NATO's eventual expansion toward the frontiers of another American-led strategic system—this one in the Pacific.

Still more ambitious, some in the policy community regard the new century as an opportunity for an international reenactment of the confederation of the 13 original colonies into what became the "united states" of America. Some propose a confederation of the North American Free Trade Agreement states with Britain and possibly New Zealand and Australia—a defensive vision coming mainly from conservative circles in Britain and inspired mainly by hostility toward the European Union and nostalgia for the wartime Atlantic alliance. Others would like the industrial democracies—the developed world, or a major part of it—to form a new democratic union of which the United States would be the inspiration and the leader. This ambition is not always baldly expressed, but it lies behind Secretary of State Madeleine Albright's characterization of the United States as the "indispensable nation" that, because it "stands taller," scans horizons others cannot see.

A recent statement of what its advocates call the New Wilsonianism (and others call the case for hegemony) appeared in the spring 2000 issue of *The National Interest*, in which William Kristol and Robert Kagan recapitulate the arguments they first made in a 1996 *Foreign Affairs* article:

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> Today's international system is built not around a balance of power but around American hegemony. The international financial institutions were fashioned by Americans and serve American interests. The international security structures are chiefly a collection of American-led alliances. ... Since today's relatively benevolent international circumstances are the product of our hegemonic influence, any lessening of that influence will allow others to play a larger part in shaping the world to suit their needs. States such as China and Russia, if given the chance, would configure the international system quite differently. ... American hegemony, then, must be actively maintained, just as it was actively obtained. ... [T]he United States does not pursue a narrow, selfish definition of its national interest, but generally finds its interests in a benevolent international order. In other words, it is precisely because the United States infuses its foreign policy with an unusually high degree of morality that other nations feel they have less to fear from its otherwise daunting power.

This notion of America's unique benevolence unites two very different approaches to the world. As historian H. W. Brands explains in his 1998 book *What America Owes the World*, American "exemplarists" think the country should try to serve as an example of a humane and just society, whereas "vindicators" believe that America's "peculiar obligation" to better humanity's lot may require intervention and coercion. According to the "vindicators," Brands writes, "human nature is too recalcitrant for mere example to have much lasting effect, and ... military might, even if it doesn't necessarily make right, certainly can restrain wrong." Joshua Muravchik, an analyst at the American Enterprise Institute, argues that other nations "know that they have little to fear or distrust from a righteous [America]." In his 1996 book *The Imperative of American Leadership*, he writes that "aside perhaps from the French, the only people averse to American leadership are the Americans."

A hegemonic spirit lies behind much of recent American foreign policy.

Opposed to this view are the "exemplarists," whose most eminent member is undoubtedly the diplomat and historian George Kennan. In his 1951 essay "America and the Russian Future," he wrote,

> Any message we may try to bring to others will be effective only if it is in accord with what we are to ourselves, and if this is something

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> sufficiently impressive to compel the respect and confidence of a world which, despite all its material difficulties, is still more ready to recognize and respect spiritual distinction than material opulence. Our first and main concern must still be to achieve this state of national character. We need worry less about convincing others that we have done so. In the lives of nations the really worthwhile things cannot and will not be hidden.

Forty-eight years later, Kennan observed in an interview in *The New York Review of Books* that "this planet is never going to be ruled from any single political center, whatever its military power." He added that for Americans "to see ourselves as the center of political enlightenment and as teachers to a great part of the rest of the world" is "unthought-through, vainglorious, and undesirable."

One may add that an American bid for hegemony would also eventually fail because its objective, however "benevolent," is seen by other nations as a threat. America's European allies have resented U.S. efforts to discourage them from establishing a European security regime separate from NATO. A European foreign minister remarked in the fall of 1999 that all his European Union colleagues regarded their most serious foreign-relations problem as that of dealing with the United States. In an April 2000 *Le Monde* article, Paul Quilès, the president of the Defense Commission of the French National Assembly, expressed the disquiet in both the assembly and in the French policy community at what Senator Jesse Helms (R-N.C.) had told the U.N. Security Council earlier that year. Helms, according to Quilès, had "maintained that states, above all the United States, which are democratic, and act in the cause of liberty, possess unlimited authority, subject to no external control, to carry out military interventions." Quilès went on,

> If we allow these attitudes to follow their course, the risk is great that the United States, in searching to impose its will, will provoke greater and greater defiance from countries such as Russia and China, and still others. American refusal of collective security; recourse to solutions of force by an increasing number of states; intensification and generalization of conflict (think of Grozny, the first European city to be razed since 1945)—doesn't this recall something from the past? Are we going to relive the drama of the powerlessness of the League of Nations?

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Helms' views do not usually represent general American opinion, but in this case they probably do. They express one version of a Wilsonian legacy that is more complex, less glorious, and less successful than its contemporary followers—whether conservatives such as William Kristol or liberals such as Al Gore—seem to understand.

WILSON'S GHOST

WILLIAM MCKINLEY became the reluctant begetter of American global engagement when, under pressure from the press and the public, he took the undoubtedly accidental explosion of the battleship *Maine* as an occasion to conquer the Spanish colony of Cuba. Then, because it seemed logical, he seized Spanish Puerto Rico, Wake Island, and the Philippines—and for good measure, Hawaii, which had nothing to do with Spain.

The most enthusiastic promoter of the war was the romantic nationalist Theodore Roosevelt, then assistant secretary of the Navy. Roosevelt believed in the sea-power theories of Alfred Thayer Mahan, who held that colonies were essential to the commercial power of a modern nation; but he also simply liked war, which he thought brought out the best in a nation. Roosevelt would have preferred a war with Germany, but as he wrote to a friend, "I am not particular, and I'd even take Spain if nothing better offered." He was an expansionist and an imperialist. He did not argue that the United States had some peculiar benediction to confer on humanity. Imperialism was simply the work of civilizing the benighted races of the world, a white man's burden incumbent on all advanced nations. The United States, Roosevelt held, should not leave this good work to the European powers but should take up its share. That was the moral and "manly" thing to do.

Woodrow Wilson began as a splendid isolationist, apologizing to Colombia for the United States' theft of Panama (to build the canal), appointing the pacifist William Jennings Bryan as his secretary of state, and naming political hacks to ambassadorships. His initial foreign policy concern was to cope with the consequences of revolution in Mexico. He occupied Veracruz after some American sailors were arrested in Tampico, and sent a punitive expedition under General John

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J. "Black Jack" Pershing to chase "Pancho" Villa's band of revolutionaries back into Mexico after a cross-border raid. Wilson regarded the outbreak of the First World War as a fit of European madness and sent his confidant and adviser, Colonel Edward House, to search for a compromise settlement.

Wilson was at the same time saying that "there is such a thing as a man too proud to fight. There is such a thing as a nation being so right that it does not need to convince others by force that it is right." The latter proved to be untrue. Although he appealed for a "peace without victory" in January 1917, he went to war in April after the Germans extended their submarine campaign. He did so, he said, to fight a war to end all wars, to make the world safe for democracy, and to terminate "power politics."

When victory arrived, and with it the opportunity to realize his vision, Wilson declared that America's role in the war was a product of divine agency: "It was of this that we dreamed at our birth. America shall in truth show the way." His faith was confirmed by the response of the exhausted Europeans to his peace proposals. When he arrived in Paris for the Versailles negotiations, the crowds greeted him with what one observer called "inhuman … superhuman" cheers. He said the world turned "to America for those moral inspirations which lie at the base of all freedom. … [A]ll shall know that she puts human rights above all other rights, and that her flag is the flag not only of America, but of humanity." He thanked God that Americans were not like other people.

It is hard to explain why Wilson's fundamentally sentimental, megalomaniacal, and unhistorical vision of world democracy organized on the American example should continue today to set the general course of American foreign policy under both Democrats and Republicans. Wilson's legacy, for whatever reason, continues to inspire enthusiasm among policymakers and analysts for an American global hegemony that would bear little resemblance to the assemblage of nations that Wilson imagined: the Tennysonian "Parliament of man, the Federation of the world."

Wilsonian sentimentality has led to disastrous consequences over the past 80 years, yet these fiascoes seem to have left no trace on the minds of Wilson's modern followers. His naiveté about universal national

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self-determination contributed to the conditions in central and eastern Europe that, in the 1930s and 1940s, invited Hitler's intervention. His influence on Franklin Roosevelt led the latter to oppose Winston Churchill's efforts to use "power politics" in central Europe to secure it from postwar Soviet control. Wilson's legacy was also responsible for Roosevelt's belief that a new League, the United Nations, could resolve postwar geopolitical problems. Even U.S. policy in the Vietnam War was a confused amalgam of anticommunism and Wilsonian sentimentality: Lyndon Johnson justified his foreign policy as a means to give others what they "want for themselves—liberty, justice, dignity, a better life for all."

Few in Washington, since Wilson's time, have seemed interested in speaking softly while carrying the big stick, as the first Roosevelt recommended. Both Democratic and Republican presidential candidates in 2000 promised to overthrow the regimes of "rogue states," rally laggard allies, and promulgate American-style democracy everywhere within reach. They differed only on pace and method. Whether public opinion accompanied them in these extravagant ambitions may be questioned, but the rhetoric was automatic. They knew no other. The country is still in the intellectual thrall of this self-righteous clergyman-president who gave to the American nation the blasphemous conviction that it, like he himself, had been created by God "to show the way to the nations of the world how they shall walk in the paths of liberty."

POWER TRIP

THE UNITED STATES will undoubtedly remain the world's military and economic superpower during the early years of the new century. During the Cold War, it built up a system of military bases and integrated alliances that its allies accepted as legitimate and indeed desirable because of the real threats of the period. When the threats were removed, however, by the collapse of the Soviet Union and the evolution of communist China into a rationally authoritarian state that observed more or less normal rules of international relations, the alliance system lost what had been its compelling rationale, along with, potentially, its legitimacy. The system was nonetheless maintained and extended because of institutional and conceptual

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momentum; maintaining the apparatus of the outmoded policy became the policy itself.

The former Warsaw Pact countries, which had never been U.S. allies, were eager to have an American guarantee extended to them, even though Russia had already conceded their independence. The history of their proximity to a powerful Russia made a NATO link to the United States a precious one. But old allies in western Europe and the Far East increasingly came to see the American military presence as a potential infringement on their sovereignty, insisted on by the United States with less and less evident reason.

Lacking a clear enemy, Americans themselves grew confused about whether expanding their costly global engagement was really necessary. New theories of external threat to the United States were thus developed: wars of civilization, generalized Islamic assault on the West, global terrorism, resurgent Chinese or Russian imperialism, international crime, the drug trade. Wretched "rogue nations" were promoted to the front rank of those threatening the United States. None of this possessed much convincing intellectual or political warrant. The postulated threats were fragile structures built on speculation and worst-case scenarios, and some of them—the rogue missile threat and a drug danger from Colombia that supposedly required indirect military intervention—were influenced by the commercial interests of military manufacturers. All reflected the natural survival instincts of both the Cold War government bureaucracies and their civilian auxiliaries, whose raison d'être had been thrown into question by the Soviet collapse.

America's European allies, berated in the past for not doing enough to defend themselves, suddenly found themselves being censured for creating a "fortress Europe" when they launched a common defense project that might weaken American influence and privileges in Europe. Their interest, normal enough, in rationalizing and developing their own arms industry rather than buying from America was criticized as undermining transatlantic cooperation.

In East Asia, too, Washington continues to insist on the need for a permanent American military presence, even though it has friendly relations with China, accords it normal trading privileges, and speaks of its strategic relationship with that country as a "partnership."

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Madeleine Albright recently made a much-feted visit to North Korea (suddenly dispensed from its status as a "rogue nation") in anticipation of a possible visit by Bill Clinton, thereby annoying long-time U.S. allies South Korea and Japan.

The United States seems unable (or unwilling) to seriously reassess its actual strategic interests in Asia. Its primary interests there are economic and commercial, not military. Meanwhile, Japan, the true great power of the region, spends more than $40 billion annually on the most advanced military establishment in Asia (and one of the largest)—a defense budget more than three times larger than China's.

Washington defends the Asian deployment because it exists, and because it is seen as part of a developing global strategic system. But some in Asia now ask if it has not become an instrument of intimidation. As in Europe, America's status there risks being transformed from that of welcome defender to burdensome intruder. Washington does not seem to understand that its power can become a destabilizing force.

HISTORY LESSONS

AMERICANS AND FOREIGNERS alike usually take the United States to be invulnerable, but why should this be so? A stable and seemingly fulfilled European society, enjoying the most prosperous economy in the contemporary world, fell overnight in 1914 into a series of sanguinary calamities. In 1900, the British Empire was the sole superpower. It had rivals in Europe, as the United States today has one rival in the European Union, another in Russia, and still others in Asia. But the conventional belief a century ago, as Norman Angell would express in his 1910 globally best-selling book *The Great Illusion*, was that the interests of the great powers—above all, their economic interests—were so closely linked that war no longer made sense. The existence of empires and the gold standard had made the world's economies more "globalized" than they are today. The Polish banker Ivan Bloch had argued the same thing in 1899 but drew the opposite conclusion in *The Future of War*, which predicted the catastrophe of industrial war.

In 1900, the destructive forces that were to dominate most of the twentieth century either had no influence or did not yet exist. Marxism

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as a political movement was a marginal affair. Lenin was 30 years old, concluding a period of political internment in Siberia and about to go into foreign exile. Hitler was 11 years old. Benito Mussolini was 17, a budding pacifist and socialist. Fascism and Nazism were unimagined, perhaps unimaginable.

The empires of Britain, France, Portugal, Belgium, and the Netherlands dominated Asia and Africa. The United States was constructing its own empire from the Spanish possessions it had seized in the Caribbean and the Far East. The Hapsburg system was troubled by nationalism in the Balkans, and the Ottoman Empire was in decline, but all that seemed manageable.

The twentieth century began in circumstances of apparent security more reassuring than those of today. No one in 1900 could have imagined the events that only 14 years later would destroy the existing international system and unleash the wave of totalitarianism that would dominate world affairs for most of the rest of the century. Responsible political and economic leaders and scholars at the time would undoubtedly have described the coming century in terms of continuing imperial rivalries within a Europe-dominated world, lasting paternalistic tutelage in Europe's colonies, solid constitutional government in western Europe, steadily growing prosperity, increasing scientific knowledge turned to human benefit, and so on. All would have been wrong.

The future, strictly speaking, cannot be predicted. But history has taught a few general lessons: that hegemonic power invites opposition; that political entities seek to aggrandize their power and wealth; that a vacuum of power will be filled; that evil exists, and reason is not its master; and that an unforeseen rupture can change everything.

The American position and the prevailing system will be challenged in the future. The identity of that challenger is unforeseeable today, but it is in the nature of a hegemonic system to generate opposition, as well as its own eventual replacement. Napoleon's domination of Europe, for example, prompted a coalition of opponents led by Britain that eventually defeated the French Empire at Waterloo. And Britain's nineteenth-century imperial domination provoked a fateful challenge from Wilhelm II of Germany.

History has shown that domination can endure for long periods only when an advanced civilization controls backward ones, as was

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the case in the Roman Empire. The challenge to American hegemony will come from societies that are equally advanced. It will also come from entropy, the natural tendency toward the degradation of a hegemon's energy. The Roman, Byzantine, and Ottoman empires were all ultimately the victims of internal decline.

The American investments in present policy—intellectual, institutional, and financial—are too great to be easily reversed. The most that can reasonably be hoped for today is an acknowledgment that a different conception of the nation's role is legitimate and that the present course may be less well founded than conventionally believed: a concession of the possibility of danger ahead.

Revolt against even the limited international hegemony America now exercises is inevitable. Eventually a pluralism of power will reestablish itself, whether the United States resists it or not. This could come in a constructive way, leading toward an international system in which the major powers recognize, define, and respect their differences of interest and look for equitable resolutions. Or it could come in conflict and bitterness, with unpredictable consequences.

HEGEMONIC HUBRIS

AT EVERY STAGE of political history there is ordinarily one system that the elites view as the most advanced and that the others emulate. Until 1914 it was the liberal representative republic or the constitutional monarchy. After the First World War, the magnetism of the liberal model was not restored until the Second World War and the Cold War had revealed the nihilism of the alternatives. Given a populist cast by the ascendance of the United States, Western democracy then presented itself to the world as the most authentic and humane form of representative government that history had known. It entered the twenty-first century with that reputation intact, but again, as in the period before 1914, under attack for its spiritual sterility.

The world crisis of 1914–89 ended with the collapses of Nazism and Marxism, but the utopian impulse underlying them was not exhausted in the United States, where it has always been an element of national identity. Europeans, after their experience in the last century, have been content with a modest and prudent program to integrate

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their national economies and political policies in the hope that this might permanently end their destructive national rivalries of the past. The United States, by contrast, has pursued what it has considered its mission to reform the world, a pious and unrealistic hope turned into a foreign policy.

America's optimism about such world transformation has yet to be broken. It underpins the case for hegemony and prevails on virtually every side of the orthodox policy debate. The idea that history is tragedy is not to the American taste. This is why the United States is a dangerous nation while remaining a "righteous" one. The puritanism of its cultural origins was intolerant of sinners and impatient with God's roundabout and unhurried ways. The United States is still impatient for progress. Its vision of reform expresses its conviction of singular virtue and national exception, which by happy coincidence reinforce national economic interest and the extension of national power. The risk to the United States is a classical one: self-destructive hubris, leading to barren tears.

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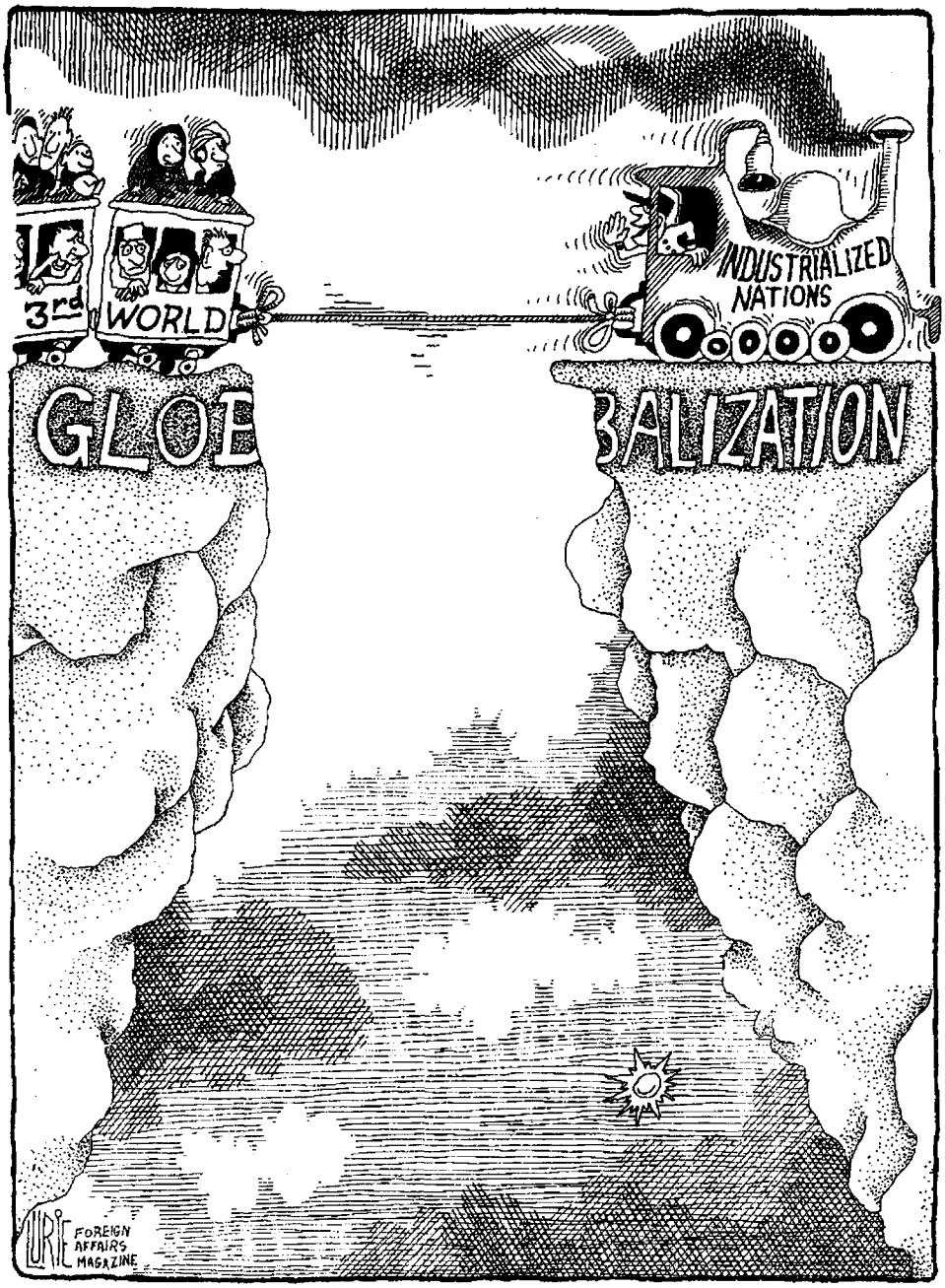

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